

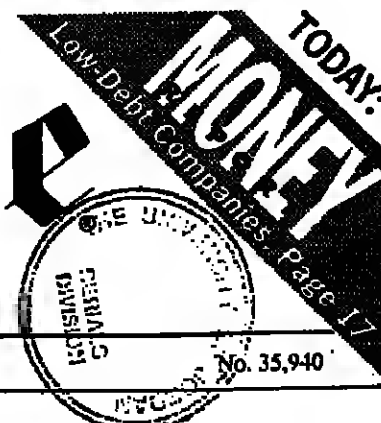
# Herald INTERNATIONAL Tribune

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## Tape of Clinton Will Be Made Public Monday

After Highly Charged Debate, House Panel Votes to Release 2,800 Pages of Documentation

By Brian Knowlton  
International Herald Tribune

WASHINGTON — A congressional committee voted Friday to release a dramatic videotape of President Bill Clinton's grand-jury testimony in the Monica Lewinsky case, along with 2,800 pages of written documentation. The vote, in closed session, followed a highly charged and partisan debate.

The documentation, including the tape, will be released Monday morning.

Members of the House Judiciary Committee said there would be 120 deletions from the printed documents, some to protect people not directly involved in the scandal, some to protect the identities of Secret Service agents and a few to remove some passages deemed highly objectionable for their sexual content. The four-hour videotape — which Mr. Clinton's personal attorney now says should have been destroyed by the independent counsel's office — was expected to be released virtually unedited. (Page 3)

The White House and congressional Democrats sharply protested the wholesale release, which followed several votes on the Judiciary Committee along strict party lines.

"Some Republicans want to rush the release of salacious materials, defying the finest traditions of the House of Representatives," said Barry Toiv, a White House spokesman. The process by which the House panel decided on the release, he said, "does not meet the fundamental standard of fairness and bipartisanship."

The new material could constitute a serious new blow to the president, and a further affront to the dignity of the presidency, coming just a week after the release of the report from Kenneth Starr, in which the independent counsel laid out 11 possible grounds for impeachment. They include perjury, obstruction of justice, witness tampering and abuse of power.

The videotape, filmed Aug. 17 in the White House Map Room, is said to portray several angry outbursts by Mr. Clinton, and moments in which he appeared evasive or insisted on fine legal distinctions. One member of the House said Thursday that some of the detail "makes me sick to my stomach."

Both the tapes and the printed documents were said to contain salacious new details about the sexual rela-

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## Many Nations Fear Scandal Distracts U.S.

Washington Post Service

A huge air force jet dispatched by the White House to carry official observers to last weekend's Bosnian elections arrived in Sarajevo with scores of empty seats. Every member of a planned congressional delegation had withdrawn from the trip at the last minute.

The reason, the members of Congress explained, was their need to stay in Washington and monitor the unfolding crisis over the Starr report to the House of Representatives on possible impeachable offenses by President Bill Clinton.

Although a small coterie of senior Clinton administration officials spent several days in Bosnia, the absence of any lawmakers left some local officials shaking their heads over Washington's preoccupation with the fallout from Mr. Clinton's relationship with Monica Lewinsky.

The Clinton-Lewinsky affair has received considerable attention overseas, and as the president's political troubles deepen, many countries are growing increasingly concerned about their potential impact on U.S. foreign policy. This article provides excerpts of reports by Washington Post correspondents who examined the effect the Lewinsky affair is having in five regions that are looking to the United States for leadership.

SARAJEVO — Without sustained U.S. attention and leadership over the next six months, officials in the Balkan region say, the crises in Kosovo, Albania and Bosnia could spill over borders and plunge the area into further violence, forcing a more costly U.S. intervention later.

A senior Western policymaker in Bosnia said the worry was that the Clinton administration would not be able "to focus on any more."

With Washington preoccupied, this policymaker said, "it will be harder to get consensus" among the many countries with competing policies and agendas in the region, including Russia, France and

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Newstand Prices	
Bahrain.....1,000 BD	Malta.....55 c
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Denmark.....14.00 DKr	Oman.....1,250 OR
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## It's Belt-Tightening Time in Tokyo



Prime Minister Obuchi says it "wouldn't do for Japan to be the source of a global meltdown."

## Japanese Agree On Bank Reforms

Effort to Stabilize System Could Lead to Many Closures

By Sandra Sugawara  
Washington Post Service

TOKYO — Japan's leadership agreed to sweeping banking reforms on Friday, including the nationalization of insolvent banks, in an effort to stabilize a dangerously weak financial system that is strangling the country's growth and threatening the stability of global markets.

The agreement, if it holds and is aggressively carried out, could lead to the closure of several of Japan's major banks.

Japanese authorities said that some crucial details of the deal remained unresolved. Nonetheless, they said the agreement — hammered out after days of tense, around the clock meetings — proved that government was not paralyzed by indecision but instead was taking action to halt the global economic decline.

"As the country with the world's second-largest economy, I determined it wouldn't do for Japan to be the source of a global meltdown," said Prime Minister Keizo Obuchi, after announcing the plan.

But in order to win enough votes for a banking plan, the governing Liberal Democratic Party was forced to accept a series of bold opposition proposals, including a system for the nationalization of insolvent banks and the stripping of substantial powers from the Finance Ministry.

The party originally resisted many of these proposals. But with the plunging popularity of the Obuchi government and the worsening recession in Japan, Mr. Obuchi was forced to make concessions to get the necessary votes for passage. The Liberal Democratic Party lacks a majority in the upper house of Parliament.

American officials have also stepped up pressure on Japan in recent weeks to fix its banking system, asserting that Japan's economic woes were key to calming shaky world markets. Clinton administration officials had indicated they would like to see an agreement by Tuesday, when Mr. Obuchi is scheduled to meet with President Bill Clinton in New York, his first meeting with Mr. Clinton since becoming prime minister in late July.

Mr. Obuchi said that he thought the banking plan, agreed to just two days before he is due to depart for America, would bolster Japan's economy and that he was glad he would have a plan to present to Mr. Clinton. He said the legislation would be passed before the current session of Parliament ends Oct. 7.

Naoto Kan, leader of the Democratic Party of Japan, the main opposition group, said the agreement "basically represents the total acceptance" of the opposition's proposals.

But he added, "There is still a lot of work to be done on details."

Anxieties over the stability of Japanese banks have made it increasingly difficult for them to raise money in global financial markets. Alicia Ogawa, a banking analyst with Salomon Smith Barney, estimates that most major Japanese banks are critically undercapitalized.

Japanese authorities say that Japanese banks have more than \$600 billion

See JAPAN, Page 15

## For Swedes, a Sober, Low-Volume Election

By Warren Hoge  
New York Times Service

STOCKHOLM — In a new work by David Hare that has just opened in London, a resident of Jerusalem is explaining the intensity of living there, and he invokes an image that ends up in all places here. "We experience events and emotions in a single day," the character says, "that would keep a Swede going for a year."

True to the British playwright's prescription, Sweden this weekend is staging its quadrennial political fete, a national election campaign, and the exercise is as uneventful and unimpassioned as it is barely detectable.

On Sunday, Swedes will vote to choose the 349 members of their Parliament and a multitude of municipal officials.

The results will determine whether the Social Democratic prime minister, Goran Persson, re-

mains in office or if Carl Bildt of the Moderate Party, the one-time chief foreign peace envoy to Bosnia, succeeds in returning to the prime minister's post that he occupied from 1991 to 1994.

More than 85 percent of the 6.7 million registered voters are expected to cast ballots, and that is not the only evidence that Swedes take their elections seriously.

Swedish politics have their focus more on bread-and-butter issues of domestic security and stability than on exotic foreign concerns or the personal appeal of the candidates, and the campaigns follow this purposeful pattern. Since the administrations that emerge are generally cooperative groupings of parties, the campaign competition between them is respectful, aimed at leaving few wounds.

The billboards and posters that festoon buildings and light poles in other democratic societies during voting seasons are limited here to tasteful size and

presentation and permitted only in public spaces. You can travel blocks through Stockholm and its suburbs without sighting a single slogan.

Rallies conducted by the leaders of the eight parties are orderly and unobtrusive, with some crowds as sparse as 10 to 15 people. There are no surprises on the stump. The party presentations across the country are controlled from headquarters, and candidates resolutely stay on message.

There has been only one scandal. Gudrun Schyman, the candidate of the formerly Communist Left Party and an ardent opponent of illegal jobs and exploitation of women workers, was found this week to have paid a 16-year-old girl to clean her house without declaring it.

Ethical standards in Swedish public life are exacting. Mona Sahlin, a former deputy prime minister, had to abandon her campaign for the top

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## FROM MALAYSIA AND GERMANY, TALES OF 2 CHANGING CITIES

### Kuala Lumpur Grows Up (and Up)

By Thomas Fuller  
International Herald Tribune

KUALA LUMPUR — Amid political dogfights and the chaos of economic crisis, something in Malaysia has slipped by virtually unnoticed: This city, once a small, nondescript capital, has come of age.

As global markets shuddered and currencies plunged, Kuala Lumpur started up a symphony orchestra, inaugurated a concert hall as well as Southeast Asia's largest airport, and opened stadiums, art galleries, a mass-transit system, a 50-acre park in the middle of the city and a raft of skyscrapers — notably the world's tallest buildings, the Petronas Towers — all within the last three months.

"We drive through this city and we don't know where we are going," said Eddie, 47, a Kuala Lumpur resident who spent an evening at the new park recently, gazing at the towers as his children played nearby. "Everything has changed so fast."

More than a year after the economic crisis hit, many Malaysians say that turmoil has remained largely in the headlines, such as those earlier this month about Prime Minister Mahathir bin Mohamad's banning the use of Malaysia's currency outside of the country and the dismissal of his deputy and anointed successor, Anwar Ibrahim.

Their lives are much more likely to be touched by one particular fact of the crisis: Before foreign investors stampeded out of Asia last year, the concrete had already been poured for projects that have changed the face of Kuala Lumpur.

A city that three decades ago looked like a large botanical garden dotted with a few colonial-era buildings now has a distinct skyline. And a city once known only for its underground night life now has neighborhoods filled with bars and restaurants, places that despite the crisis are still hives of activity.

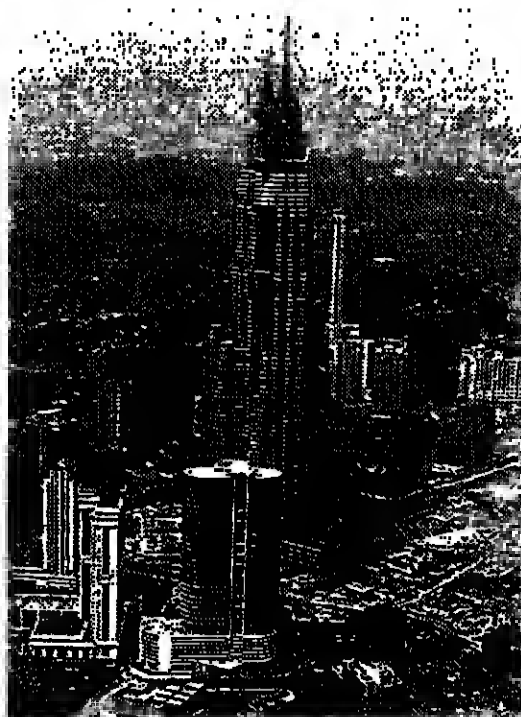
Cities across Southeast Asia mushroomed during the boom years as investors piled into what they saw as new and promising markets.

The difference, perhaps, is where the money went.

Some cities, like Kuala Lumpur and Singapore, built mass-transit systems and parks. Others, like Bangkok and Jakarta, seemed simply to expand horizontally.

At the center of the new Kuala Lumpur are the 451.9-meter (1,483-foot) Petronas Towers, which Mr. Mahathir has said he built to put this town on the world map.

"I was asked the other day, 'Why did you build



With highest profile, it's nondescript no more.

See KL, Page 4

## Frankfurt's New Accent

Banking Center Is Transformed Ethnically

By William Drozdiak  
Washington Post Service

FRANKFURT — Ever since Emperor Frederick II bestowed special protection in the 13th century on all foreign merchants who ventured here with their wares, this ancient trading crossroads on the Main River has attracted people the world over with its allure of prosperity.

In the second half of this century, the guest workers who came from Turkey, Greece and Italy to help rebuild Germany from the ruins of World War II have been joined since the fall of the Berlin Wall nine years ago by tens of thousands of Poles, Iranians, Yugoslavs and Russians. The number of foreigners — meaning people of non-German ancestry — has soared to the point where they now make up about 30 percent of Frankfurt's population of 652,000, according to the latest figures.

The ethnic transformation of this affluent banking center — it is now host to the European Central Bank, whose task will be to govern the single currency, the euro — vividly demonstrates the changing human face of Germany as the nation's blue-eyed and blond Teutonic stereotype undergoes a "rainbow revolution."

"Whether you like it or not, Germany is already a very ethnically diverse society and is getting more so by

the day," said Jutta Ebeling, Frankfurt's superintendent for multicultural affairs, in an interview.

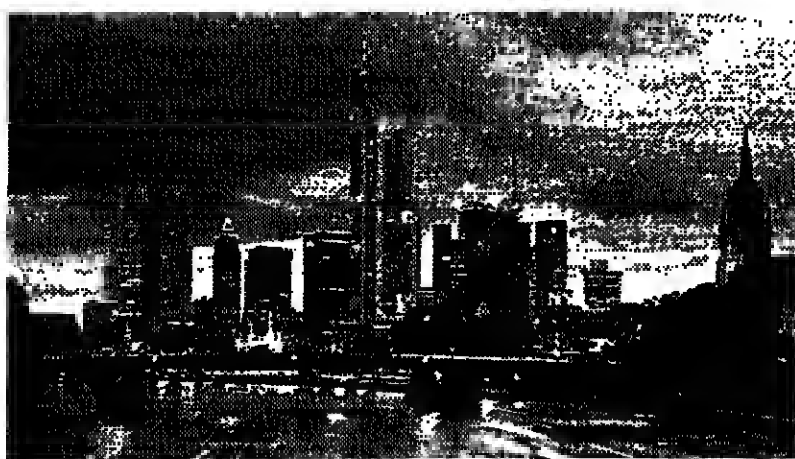
But not everybody is pleased by the trend. A growing number of Germans say they fear immigrants have become a menace to their nation's identity. A recent survey by the Forsa polling institute showed that 52 percent of German voters think there are too many foreigners and that 10 percent would consider voting for an extreme-right party with a xenophobic platform.

The message has not been lost on Chancellor Helmut Kohl and his Social Democratic challenger, Gerhard Schroeder, as they scramble for votes in the national election Sept. 27. Saying that Germany's borders have become too porous, both candidates have escalated their promises to crack down on would-be immigrants and deport all foreigners who commit crimes.

At campaign rallies, especially in the East where hatred of foreigners is most evident, Mr. Kohl hammers away that "Germany must not become a land of immigrants" and must remain rooted in its traditions as "a bastion of Christian civilization."

In turn, Mr. Schroeder evokes his American-born stepdaughter and says he would not be averse to letting foreigners living in Germany hold two passports. But the day is approaching

See FRANKFURT, Page 4



The skyline of Frankfurt, ancient trading crossroads on the Main River.

## Kohl Gains on Schroeder in Election Poll

Reuters

BONN — Germany's opposition Social Democrats saw their lead over Chancellor Helmut Kohl narrow to just two points in an opinion poll made public on Friday, nine days before the country's general election.

The Politbarometer poll conducted by the Electoral Research Group put the Social Democrats at 39.5 percent, 1.5 points lower than a week ago, while Mr. Kohl's conservatives gained 0.5 points to 37.5 percentage points.

It was the first time the Social Democrats, whose lead has recently been as wide as 10 points, have seen their rating fall under 40 percent since they named Gerhard Schroeder as their candidate in March.

The ecologist Greens, seeking a place in government as junior partner to the Social Democratic Party, remained at 6 percent.

If those results were repeated in the Sept. 27 vote, the Social Democrats and Greens would only secure a parliamentary majority if the reform communist Party of Democratic Socialism failed to get into Parliament, the pollsters said. That party scored 4.5 percent in the poll, below the 5 percent threshold that is needed to enter Parliament.

Mr. Kohl also gained in terms of personal popularity as his rating rose from 36 percent to 39 percent, while Mr. Schroeder's rating fell from 57 percent to 50 percent.

## AGENDA

### EU May Review Nigeria Sanctions

BRUSSELS (Reuters) — The European Union said Friday it was ready to review its sanctions against Nigeria in response to steps the government in Abuja has taken to restore civilian rule.

A statement issued by the EU president, Austria, welcomed steps toward democratization. The sanctions, including an arms embargo and visa ban on the Nigerian leaders, were imposed in 1995 over the execution of the author Ken Saro-Wiwa and eight other activists.

### New Nerve Gas Tests Counter U.S. Results

Swiss and French tests for a poison gas on Iraqi missile warheads appear to have reached results contrary to those of American tests that showed the presence of VX, a deadly nerve agent, according to diplomats. Page 5.

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# Russia's Financial Woes Raise Fears for Its Nuclear Complex

By David Hoffman  
Washington Post Service

MOSCOW — Russia's strategic nuclear weapons complex, stretching from bomb-design laboratories to missile silos, submarines and early warning systems, is showing fresh signs of distress and decline amid the country's economic implosion.

The evidence is scattered and incomplete because the complex is shrouded in secrecy, but recent public disclosures suggest that thousands of workers in the atomic arsenal are not being paid for months at a time and that there have been major setbacks in Russia's plans to modernize its weapons systems.

Moreover, President Boris Yeltsin recently signed a top-secret strategic weapons review that is designed to lay out priorities for Russian forces into the next century. Western analysts and Russian officials say the plan envisions continued shrinkage of the strategic arsenal, but that the actual decline may be even deeper and faster than the Kremlin forecasts.

Russian officials have repeatedly claimed that their strategic nuclear forces are secure and that an accidental launch or theft of a weapon is not possible. But as the country has sunk deeper into economic chaos, there have been glimpses of disorder and despair among the guardians of its nuclear forces, who often are situated in remote, poorly supplied, "closed" bases and cities.

For example, Alexander Lebed, the retired army general and governor of the huge Krasnoyarsk region in Siberia, sent an open letter to Moscow in late July demanding that servicemen at Uzhur-4, an intercontinental ballistic missile base southwest of Krasnoyarsk city, should be paid their back wages.

Mr. Lebed said he was "seriously thinking of establishing territorial jurisdiction" over the base, which could "become a headache for the world community along with India and Pakistan."

Servicemen at the base had not received their pay in five months, Mr. Lebed said, and before he sent the letter, wives of the servicemen had protested by blocking them from reporting to work at the missile silos.

In the nuclear-weapons design sector, too, complaints have been intensifying. Workers at Russia's premier weapons laboratory, Arzamas-16 — now known as Sarov — and other design and construction centers staged public protests last week to highlight the government's failure to pay them.

When the workers went to the Ministry of Atomic Energy, which oversees weapons design and manufacture, the

acting minister, Yevgeni Adamov, told them that the government owed the ministry \$170 million and had not given it so much as a ruble in two months.

The strained Russian military has been plagued by a series of grisly mass killings by distraught and deranged servicemen, mostly in conventional forces. But the prospect of a more serious incident was raised last weekend when an armed conscript aboard a nuclear-powered submarine went berserk and gunned down eight of his shipmates at a base near the Arctic port of Murmansk.

Aside from human stress, there are signs of continuing deterioration in the hardware of Russia's nuclear weapons delivery systems and its early-warning network for detecting ballistic missile launches. Some Western analysts have warned that Russia's impaired early-warning system could provoke a mis-

taken decision to launch a retaliatory strike.

Russia maintains two fleets of space satellites to spot missile launches, but their shortcomings were outlined in a report by the Congressional Budget Office, which found that the satellites do not provide 24-hour coverage.

The report said that Russia maintains six satellites in high elliptical orbit that use relatively unsophisticated sensors to monitor possible missile launches against the background of space.

The vulnerability of Russian early-warning systems was highlighted by a recent North Korean launch of a ballistic missile that fell into the Sea of Japan, off Russia's Far East coast.

The first comment by Russian Rocket Forces spokesman was that their early-warning system "did not register" the launch, and subsequent explanations were contradictory.

## Teachers in France: Strike Over Hiring

PARIS — Teachers across France walked off the job Friday to protest a hiring freeze by the left-wing government, and thousands staged a march in the capital during the first strike of the new school year. Of nearly 657,000 of the teachers in kindergartens, junior high and high schools nationwide, at least 11.3 percent were on strike, the National Education Ministry said. No new talks were planned. (AP)

## Ulster Frees Lifers

BELFAST — Five terrorists in Northern Ireland serving life sentences for murder were released from prison Friday under the terms of the British-ruled province's peace agreement, the prison service said.

Four members of two pro-British Protestant guerrilla militias and one Roman Catholic from the Irish Republican Army were freed from the Maze prison near Belfast. A spokeswoman for the Northern Ireland's Prisons Office said the men had served between 10 and 14 years, each. (Reuters)

## French Rightist Bid

TOULON — France's extreme-right National Front will make a new bid Sunday to win back its only seat in Parliament in this southern naval port.

In the June 1997 general election, Jean-Marie Le Pen, the National Front mayor of Toulon, scored his party's only victory, but he was stripped of his seat for exceeding the campaign spending limit. (Reuters)

## For the Record

Police in Geneva stopped work for a day in a protest over 400,000 hours of unpaid overtime. (Reuters)

## Albania Lifts Immunity of Ex-President

### Berisha May Be Charged With Attempting a Coup During Recent Unrest

TIRANA, Albania — Parliament on Friday lifted the immunity from prosecution of the opposition Democratic Party leader, Sali Berisha, clearing the way for prosecutors to charge him with attempting a coup.

The Socialist-led coalition of Prime Minister Fatos Nano has accused Mr. Berisha, a former president, of trying to overthrow the government during serious unrest last Monday sparked by the murder of a senior Democratic politician, Azem Hajdari.

"Parliament decided to lift Berisha's immunity and to let the prosecutor start a criminal case against him," the speaker of Parliament, Skender Gjinushi, announced after the vote.

"Any arrest is up to prosecutors," he added. "If they think it is O.K. to continue, they might arrest him."

Out of 113 members participating in the vote, 108 voted in favor of removing

Mr. Berisha's immunity. The Democrats have been boycotting Parliament since July, but the government had enough votes in the 155-seat chamber to pass the motion even if they had been present.

Under Albanian law, Mr. Berisha faces the death penalty or life imprisonment if convicted of attempting to overthrow the government. He has dismissed the allegation as fantasy.

Mr. Berisha was not immediately available for comment. Officials said he was meeting other party leaders at his headquarters in Tirana.

Before the vote, the former president led a peaceful march of about 3,000 people in Tirana's Skanderbeg Square, continuing his week of protest.

There was no obvious police presence in the square, but a convoy of police and military vehicles had earlier made a show of force in the area.

Mr. Berisha, who blames Mr. Nano's

government for Mr. Hajdari's murder, told the crowd that the police had set up roadblocks on a main road into Tirana to prevent protesters from joining the rally, but this could not be independently confirmed.

Tirana erupted in the worst violence in 18 months on Sunday and Monday. At least five people were killed and dozens injured in clashes with the police during the unrest.

### Kosovo Chief Backs U.S. Plan

Kosovo's top Albanian leader gave his public backing Friday to a U.S.-sponsored plan denying his people the independence they seek but offering them peace and local autonomy in the Serbian province. The Associated Press reported from Pristina, Yugoslavia.

Irishman Rugova endorsed the plan amid news of further battlefield losses by Albanian guerrillas to better-armed Serbian and Yugoslav forces.



Sali Berisha, a former president of Albania, flashing a V-for-victory sign Friday at a rally in Tirana that was attended by 3,000 people.

## U.S. Charges Bin Laden Aide in Kenya Bombing

By Benjamin Weiser  
New York Times Service

NEW YORK — Federal authorities charged Thursday that the bombing of the U.S. embassy in Kenya last month was orchestrated by an Islamic extremist from the island nation of Comoros who reported directly to Osama bin Laden, the Saudi exile who is now the focus of the worldwide investigation of the bombing.

Broadening the case against Mr. bin Laden's organization, the government offered a \$2 million reward for information leading to the arrest of Haroun Fazil, who has been eluding authorities since a warrant was issued for his arrest late last month. Mr. Fazil has been accused of 12 counts of murder, one for each American who died in the embassy, as well as murder conspiracy and the use of weapons of mass destruction. He could face life imprisonment or the death penalty if convicted.

Federal officials also said they had arrested a man who they said was the personal secretary to Mr. bin Laden when both men lived in Sudan in 1994.

The defendant, Wadiah Hage, of Arlington, Texas, is the first American citizen known to have been charged in the investigation of Mr.

bin Laden and the embassy attacks.

Mr. Hage appeared before a federal magistrate judge in Manhattan late Thursday and was charged with three counts of making false statements to investigators. A federal prosecutor, Patrick Fitzgerald, told the magistrate that the government would indict Mr. Hage on new charges by Monday, and he was ordered held without bond.

The charges disclosed Thursday by Mary Jo White, the U.S. attorney in Manhattan, and Lewis Schifano, assistant director of the FBI in New York, show more clearly how investigators are methodically building the case against Mr. bin Laden, his operatives and lieutenants.

Mr. bin Laden has been charged in a sealed indictment with various acts of terrorism. The government has not said when or whether it plans an indictment in the bombings.

Ms. White said that Mr. Fazil was "a very active member of the Kenyan cell" of Mr. bin Laden's terrorist group. "He is an allegedly major player in the organization," Ms. White said.

The announcements also shed light on the investigation of Mr. bin Laden that dates back to before the nearly simultaneous bombings of U.S. embassies in Kenya and Tanzania. In those attacks, on Aug. 7,

more than 250 people died, 12 of them Americans, and thousands of people were wounded.

A federal complaint unsealed Thursday shows that Mr. Hage was interviewed by the authorities in New York as early as September 1997 and questioned about Mr. bin Laden's activities and his associates.

At the time, the complaint says, Mr. Hage admitted having worked as Mr. bin Laden's personal secretary and to knowing two of his top military commanders, identified as Abu Ubaidah Banihadi and Abu Hafsa Masry.

Mr. Banihadi drowned in a ferry accident in East Africa in 1996, the court papers said, but they offered few other details about either men.

Mr. Schifano would not say where the authorities believe Mr. Fazil has fled or how he may have left the Comoros, which are in the Indian Ocean southeast of Tanzania and Kenya. This month, the FBI and the Comoros police raided two homes on the island of Moroni, looking for Mr. Fazil, and questioned his wife.

The authorities described Mr. Fazil as an explosives expert in his mid-20s who speaks fluent French, Swahili, Arabic, and English and is adept with computers.

Although the federal complaint did not describe precisely Mr.

Fazil's rank in Mr. bin Laden's organization, it suggested that his role in the Nairobi attack was more significant than that of the three suspects who have been arrested and are being held in Manhattan.

In the Kenyan bombing, Mr. Fazil was accused of renting the room in the Hilltop Hotel in Nairobi where investigators believe that the bomb was constructed and of hiring two people to clean the room after the attack.

On Aug. 7, the day of the attack, the government said, Mr. Fazil drove a white pickup truck that led another vehicle, which was carrying the bomb, to the embassy site in Nairobi.

Prosecutors did not directly accuse Mr. Hage of a role in the embassy bombings. But the documents say that Mr. Fazil and Mr. Hage were close and that the two shared a house last year in Nairobi. Mr. Hage moved to Kenya from Sudan in 1994, the government said, before returning to the United States in 1997.

Mr. Hage did not speak in court Thursday, but his supervisor at Fort Worth, Texas, company where he works, Lone Star Wheels & Tires, said that Mr. Hage told him on Monday that he had to take care of personal business in New York and would return in two days.

## Mexico to Probe Police Drug Unit

New York Times Service

MEXICO CITY — Mexico's attorney general has promised to conduct a "profound" investigation into possible corruption of an American-trained police unit and insisted that anti-drug cooperation with the United States should continue without interruption.

Attorney General Jorge Madrazo Cuellar also bristled Thursday at the statement by law-enforcement officials in Washington that problems with the Mexican unit might have resulted in the betrayal of important American information to powerful traffickers.

"We share with the United States much, much more information than we ourselves generate than we get from officials there," Mr. Madrazo said.

U.S. officials had disclosed that three top investigators of an organized-crime unit of the attorney general's office had failed lie-detector tests that U.S. experts administered this month. They were all found to be lying when they were asked whether they had provided information to traffickers, officials of both countries said.

## TRAVEL UPDATE

### Talks Fail With Europe's Truckers

BRUSSELS (AFP) — European haulage companies and truckers' unions failed Friday to agree an EU-wide accord on a 48-hour working week, both sides announced.

The failure of the talks sets the scene for a fresh wave of truckers' strikes and protests this winter, potentially bringing chaos to Europe's roads. Both sides agreed to meet again on Sept. 30 in a final attempt to reach an agreement.

The European Commission said it "deplored" the employers' and unions' failure to strike a deal. "A great opportunity has been missed," the EU's social affairs commissioner, Padraig Flynn, said. He added that if no agreement were reached on Sept. 30, the commission would table proposals for new legislation to enforce a 48-hour week. (AP)

### Hurricane Races Toward Caribbean

MIAMI (Reuters) — A hurricane designated Georges, the fourth of the Atlantic season, was heading toward the Caribbean. Forecasters alerted residents on the U.S. Gulf coast. Georges was several days away from any land, but could threaten the islands of the Lesser Antilles, forecasters said.

In the Gulf of Mexico, a tropical depression drifted erratically, prompting a tropical storm watch to be raised from Matagorda, Texas, to Grand Isle, Louisiana. (AP)

### Strong tremors and lava spurts were recorded Friday inside Mount Etna as the Sicilian volcano continued to rumble back into life. For several days, activity has been building up. The volcano's last major eruption was in 1991. (AP)

## WEATHER

Europe				Forecast for Sunday through Tuesday, as provided by AccuWeather.				Asia			
Country	High	Low	Wind	Country	High	Low	Wind	Country	High	Low	Wind
Algeria	72/82	52/62	SE 10-15	France	68/78	48/58	SE 10-15	India	88/98	68/78	SE 10-15
Austria	68/78	48/58	SE 10-15	Germany	65/75	45/55	SE 10-15	Indonesia	85/95	65/75	SE 10-15
Belgium	65/75	45/55	SE 10-15	Greece	75/85	55/65	SE 10-15	Japan	82/92	62/72	SE 10-15
Bulgaria	70/80	50/60	SE 10-15	Italy	72/82	52/62	SE 10-15	Korea	80/90	60/70	SE 10-15
Czech Rep.	65/75	45/55	SE 10-15	Netherlands	65/75	45/55	SE 10-15	Malaysia	85/95	65/75	SE 10-15
Denmark	60/70	40/50	SE 10-15	Poland	62/72	42/52	SE 10-15	Philippines	82/92	62/72	SE 10-15
Egypt	85/95	65/75	SE 10-15	Portugal	68/78	48/58	SE 10-15	Singapore	85/95	65/75	SE 10-15
Finland	55/65	35/45	SE 10-15	Romania	70/80	50/60	SE 10-15	Sri Lanka	80/90	60/70	SE 10-15
France	68/78	48/58	SE 10-15	Russia	65/75	45/55	SE 10-15	Taiwan	82/92	62/72	SE 10-15
Germany	65/75	45/55	SE 10-15	Slovakia	62/72	42/52	SE 10-15	Thailand	85/95	65/75	SE 10-15
Greece	75/85	55/65	SE 10-15	Slovenia	60/70	40/50	SE 10-15	Turkey	80/90	60/70	SE 10-15
Hungary	70/80	50/60	SE 10-15	Spain	65/75	45/55	SE 10-15	U.S.	85/95	65/75	SE 10-15
Ireland	55/65	35/45	SE 10-15	Sweden	50/60	30/40	SE 10-15	Vietnam	82/92	62/72	SE 10-15
Italy	72/82	52/62	SE 10-15	Switzerland	60/70	40/50	SE 10-15				
Japan	82/92	62/72	SE 10-15	Turkey	80/90	60/70	SE 10-15				
Korea	80/90	60/70	SE 10-15	U.K.	60/70	40/50	SE 10-15				
Malaysia	85/95	65/75	SE 10-15	U.S.	85/95	65/75	SE 10-15				
Philippines	82/92	62/72	SE 10-15								
Singapore	85/95	65/75	SE 10-15								
Sri Lanka	80/90	60/70	SE 10-15								
Taiwan	82/92	62/72	SE 10-15								
Thailand	85/95	65/75	SE 10-15								
Turkey	80/90	60/70	SE 10-15								
U.S.	85/95	65/75	SE 10-15								
Vietnam	82/92	62/72	SE 10-15								

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## Change in Controls on Satellite Sales

### Accord in Congress Would Return Export Power to State Dept.

By Eric Schmitt  
New York Times Service

WASHINGTON — House and Senate negotiators have agreed to shift control over the exportation of U.S. satellites back to the State Department from the Commerce Department.

The satellite provision, part of a conference report worked out Thursday, requires full House and Senate approval. That could come as early as next week.

Licensing jurisdiction over commercial communications satellites would be transferred March 15. Satellites would be returned to the "munitions list," a grouping of the nation's most sensitive military and intelligence-gathering equipment.

Some space experts and a senior government auditor have said that controls on satellite exports to China have been loosened, compro-

mitting national security, since the Clinton administration transferred authority to Commerce in 1996. The Commerce Department denies this, but more than 10 House and Senate committees are investigating whether the change allowed the exportation of sensitive satellite technology and engineering know-how that may have helped Beijing improve the reliability of its long-range missiles.

The disclosure that in 1996 U.S. companies helped China investigate what went wrong with a rocket that exploded while carrying a U.S. satellite prompted the Congressional investigation and a Justice Department investigation into whether unauthorized assistance from the American companies helped the Chinese missile program.

Senior administration aides have threatened a White House veto of the measure. At

a Senate hearing Thursday, since the Clinton administration transferred authority to Commerce in 1996. The Commerce Department denies this, but more than 10 House and Senate committees are investigating whether the change allowed the exportation of sensitive satellite technology and engineering know-how that may have helped Beijing improve the reliability of its long-range missiles.

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### Correction

A report in the People column on the back page of Tuesday's editions stated incorrectly that the British composer Andrew Lloyd Webber was planning a musical based on the Action Man doll. A spokesman for the composer said there were no such plans.

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# An Agitated Iran Buries Its Dead, but Mediation May Cool War Passions

By Douglas Jehl  
New York Times Service

TEHRAN — To shouts of "Death to Taleban!" and to the wail of a Shiite dirge, tens of thousands of people thronged the streets of Tehran in protest Friday as the bodies of six slain Iranian diplomats were borne toward martyrs' graves.

The demonstration was the largest and angriest since the killing of diplomats ignited a crisis between Iran and Afghanistan's militant Taleban movement, and it was mirrored on a smaller scale in other rallies held around the country.

One of Iran's most senior clerics declared the country "ready for holy war" against the Taleban, followers of a rival Muslim faith.

But even as ordinary Iranians shouted similar slogans as they marched along crowded streets, there were signs that international mediation might help to cool the passions.

In response to an Iranian request for intervention, Pakistan's foreign minister, Sartaj Aziz, announced Thursday that the Taleban movement would soon free some of the Iranian prisoners whose return has been demanded by Tehran as a condition for averting possible military conflict.

At the same time, Iranian officials said that President Mohammed Khatami would press hard for a more active UN role in resolving the dispute when he visits New York next week to address the General Assembly.

Still, Iran has continued to add to a buildup of military forces along the

Afghan border, where it has said that more than 250,000 soldiers will be in place by Saturday to take part in a new round of threatening military exercises.

Such a force would represent fully half of the Iran's known troop strength. Western diplomats have suggested that its size is almost certainly being exaggerated, and journalists have been denied permission to travel anywhere near the Iran-Afghan border.

But the exercises, to include troops backed by tanks, aircraft and artillery, are nevertheless expected to serve as a major projection of military muscle that would underscore the anti-Taleban fervor on display in the demonstrations Friday.

The Taleban leader, Mullah Mohammed Omar, issued a statement in Afghanistan saying that the problems

between the two countries "will not be solved under military pressure."

But Taleban commanders have responded to the Iranian buildup with a military buildup of their own, and they have vowed to retaliate against targets inside Iran if Iranian forces launch any kind of cross-border raids.

Iran has vowed to avenge the deaths of at least eight diplomats and a journalist who were killed last month when Taleban forces overran an Iranian consulate in the northern Afghan town of Mazar-i-Sharif.

It has also said that military intervention may be necessary to halt what it has portrayed as the slaughter of fellow Shiite Muslims at the hands of the Taleban, purist followers of Islam's dominant Sunni faith.

Iranian officials have insisted that

they have little appetite for conflict, and Western diplomats and Iranian experts say it is unlikely that Iran, with its bitter memories of the 1980-88 war with Iraq, would launch a major invasion of Afghanistan that would risk prolonged military conflict.

But unless others can persuade the Taleban to meet a long list of Iranian demands, Western diplomats say they believe it remains possible that Iran might carry out some kind of limited military attack.

With measures including the funeral procession that began after Friday prayers, Iran has also clearly tried to keep emotions at high pitch.

In the chaotic scene that followed the Friday prayers, the slain diplomats' coffins were paraded through streets in which the jostling was so severe that the coffins

on several occasions were almost toppled to the ground.

The coffins were later loaded into ambulances for the rest of the journey to a special cemetery outside Tehran already filled with the bodies of scores of thousands of Iranians killed in the war with Iraq.

On the street, anti-Taleban emotions ran so high that many Iranians who said relatives had been killed in Iran's last war said they believed the killings committed in Afghanistan could well justify another conflict.

"I'll do anything for Islam, and what the Taleban is doing is against Islam," said Shireen Saidpour, a 35-year-old government employee, who like most women taking part in the demonstration wore a shapeless black chador. "They are criminals."

## Gingrich Calls All the Shots In Deciding Clinton Case

By David E. Rosenbaum  
New York Times Service

WASHINGTON — At a news conference on education legislation, the first question put to Speaker Newt Gingrich involved the White House scandal.

Mr. Gingrich snapped at the questioner, "We in the Congress are actually focusing on substance," he asserted. "Yesterday, I spent less than 45 minutes total on the topic that interests you most."

That is the pose the House speaker has tried to assume all week: the impartial observer waiting for his lawyers on the Judiciary Committee to sort out the facts and set the policy on how to deal with President Bill Clinton's transgressions, while he deals with the people's business.

But behind the scenes, according to other Republican lawmakers, not a step is taken or a decision made without the approval of Mr. Gingrich, possibly the most partisan and certainly the most dominant speaker in the last generation.

"Look, the speaker is the speaker," said the chairman of an important committee who insisted on anonymity. "He calls all the shots. If tapes are going to be released, it's his decision. If hearings are going to be held, he will decide. He consults with us. He listens to us. But he makes the calls."

At a closed meeting of House Republicans on Wednesday, Representative Nancy Johnson of Connecticut expressed concern about the release of sexually explicit portions of the videotape of the president's grand jury testimony.

Mr. Gingrich, angry, according to some who were there, or merely firm, according to others — rose to his feet and declared that the House had already voted to make the material public and that Republicans were not going to back down in the face of complaints from the White House and Democrats in Congress. Mr. Gingrich called the president a "misogynist," a person who hates women.

At the same meeting, Representative Gerald Solomon of New York, the chairman of the Rules Committee, reiterated a point that Mr. Gingrich made in a speech last week by reminding his colleagues that the rules of the House did not permit language in floor debates that ridiculed or otherwise abused the president.

When Mr. Gingrich walked out of the meeting and into a gaggle of reporters and cameras, he made a conspicuous show of talking about other issues — trade and the economy — and even praised Mr. Clinton's efforts to renew world economic growth.

When reporters persisted in asking questions about impeachment and videotaped testimony, Representative John Boehner of Ohio pushed the speaker from the microphone so that staff members could usher him away.

It is very important to us that Newt be low," said a Republican congressman from the Southeast. This congressman explained that Mr. Gingrich often came across to the public as strident and even mean and that if he allowed himself to stand at the forefront of the Clinton inquiry, the president and his allies would benefit by making him a lightning rod for their criticism of Congress.

Mr. Gingrich is under conflicting pressures. The firebrands among House Republicans want to go after Mr. Clinton with all the artillery in the House's arsenal. But Mr. Gingrich's political advisers are telling him, according to a former staff assistant, that if he has any ambition to become president himself, this is his opportunity to dispel his reputation as a hothead and adopt the mien of a statesman.

One Republican congressman suggested half seriously that the most advantageous step Mr. Gingrich could take would be to save Mr. Clinton's presidency. "It might not be best for the country," the congressman said, "but they would have a cripple as president going into the next election, and Newt would go down as a profile in courage."

With all that in mind, Mr. Gingrich tended carefully this week to the ceremonial and legislative aspects of his job. He spoke at a conference on missile defense, received a Hispanic Heritage Leadership Award and another award from the Community Antidrug Coalition, met with chief executives of some of America's largest companies, attended news conferences on education, agriculture policy and prayer in schools, appeared on the steps of the Capitol with representatives of Habitat for Humanity and taped an interview for a cable television documentary on the 100 people who have the most influence on American society.



Supporters and critics waving conflicting signs outside a Boston dinner that the president attended.

## CLINTON: House Panel Votes to Release Videotape of President's Testimony and 2,800 Pages of Evidence

Continued from Page 1

tionship of Mr. Clinton and Monica Lewinsky, which some Judiciary Committee members said were even more explicit than the information released earlier.

The release of the materials, compiled as part of Mr. Starr's eight-month grand jury inquiry into Mr. Clinton's involvement with Ms. Lewinsky, defies the traditional notion of grand-jury secrecy, though it falls within the broad authority of the House to do so.

"There simply is no direct historical precedent" for the release of the tape, said A. E. Dick Howard, a constitutional law expert at the University of Virginia. "We're plowing new ground."

"Republican candidates all over the country are just drooling at the thought of getting this tape into their political ads," said Representative Marty Meehan, Democrat of Massachusetts. "It's an improper use of grand jury testimony."

Meanwhile, the Clinton administration sought to

allay the mounting concerns in many foreign capitals that the crisis would undercut Mr. Clinton's ability to lead on the national and global stage. His national security adviser, Samuel Berger, bluntly warned hostile foreign governments and groups not to seek advantage from Mr. Clinton's problems.

"It would be a grave mistake for any foreign leader or any group to believe that if United States' interests are threatened, the United States would not respond in a firm and united way," he said.

The Judiciary Committee vote Friday followed a day and a half of rancorous debate and a series of votes that Democrats, unlike Republicans, characterized as highly partisan.

"We've dumped process and fairness on its head," said Representative John Conyers of Michigan, the ranking Democratic member of the committee. "We got rolled."

The Republican chairman of the panel, Representative Henry Hyde of Illinois, took exception to Mr. Conyers's comment. "We accomplished a lot," he said. "We had vigorous, spirited debate,

but it was civil. I would say the spirit of bipartisanship is alive and flourishing."

To that, Representative Barney Frank of Massachusetts, a Democratic member, replied, "It was very civil and very partisan." The release, he said, is "basically an effort to discredit the president."

Representative Bill McCollum of Florida, a Republican member of the committee, said that the explicit material had to be included because it would cast light on Mr. Clinton's insistence that he had told the truth "in certain instances where the independent counsel, Kenneth Starr, said he did not."

Republicans said it was necessary to release the four-hour tape to allow Americans to form their own opinion about whether Mr. Clinton told the truth, as he has asserted that he did.

"Whatever decision we make should be supported by the public," said Representative Asa Hutchinson, Republican of Arkansas.

But Mr. Conyers and others complained that Republicans, by in effect asking the public to serve

as a jury, were abdicating the serious constitutional responsibilities to weigh evidence that could justify impeachment hearings. He said there was no reason to release the most sexually detailed material except to marshal public anger against Mr. Clinton.

"It is seriously explicit, it is offensive, it is obscene," Mr. Conyers said, "and it does not build up any kind of case one way or the other."

Several television networks were preparing to air extensive excerpts of the videotape. CNN, MSNBC, and the Fox News Channel said they would run the tape as soon as they got it. Each of the cable networks will run printed warnings on the screen and voice warnings that the tape may include material not suitable for children. The tape also will be available on the Internet, but it is not yet clear when the printed documents will appear there.

Democrats said that by rushing explosive materials before the public before the White House had a chance to review it, the Republican majority hoped for a powerful public reaction in favor of impeachment.

## TOPIC A: The World Watches the Scandal

Continued from Page 1

Italy as well as the United States.

Anxiety about Washington's domestic preoccupations is evident here in repeated statements by officials on all sides of the Bosnian conflict that the administration may have to work much harder in coming months at persuading Congress that the U.S. military presence will have to be maintained for years to come.

— R. Jeffrey Smith

TOKYO — Officials in Japan and South Korea fear that a politically weakened President Clinton will be a less valuable ally on important economic and security issues, especially in dealing with North Korea.

Despite these concerns, Mr. Clinton's standing in the two countries has not changed significantly because of the Lewinsky scandal. In both countries, Mr. Clinton is generally liked and respected, and his personal problems have received relatively muted media coverage, much of which has hinted at the widely held Asian perspective that Mr. Clinton's personal life should not be so closely linked with his professional duties.

The most immediate concern of most Japanese officials is that Mr. Clinton's scandal will overshadow Prime Minister Keizo Obuchi's trip to New York. He is scheduled to meet Mr. Clinton on Tuesday.

— Kevin Sullivan

JERUSALEM — In the Middle East, there is a perception — not universally shared — that President Clinton's distractions have crippled U.S. foreign policy.

Some Israelis, and many Palestinians, believe the scandal has kept the administration from exercising its considerable influence to extract concessions from Israel to break the 18-month deadlock in the peace process.

Such thinking has persisted despite suggestions in recent days that the U.S.

Middle East envoy, Dennis Ross, may be close to brokering an agreement between Israel and the Palestinians on an additional troop withdrawal from the West Bank.

— Lee Hockstader

MEXICO CITY — The day after the Starr report was delivered to Congress, the stock market in Brazil fell 13.8 percent, the market in Argentina oscillated more than 13 percent, and stocks in Mexico plummeted almost 10 percent. It was a perfect illustration of the axiom: When the United States catches a cold, Latin America sneezes.

And it helps explain why people here and across Central and South America are concerned that their fortunes, individually and collectively, are tied to the fortunes of President Clinton. A chart in El Universal newspaper here showing stock losses after the delivery of the report called the market slaughter "The Clinton Effect."

With so many unresolved issues on the hemisphere's agenda, and with the region's economy threatened by the global financial instability, many Latin Americans said they were incensed that the United States was investing so much time, energy and money in a matter they consider insignificant.

— John Ward Anderson

MOSCOW — For Russia, a weakened American presidency comes at a painful and risky moment. President Clinton had little to offer in terms of concrete assistance on his recent visit here, but the situation is changing rapidly, and Mr. Clinton may soon find Russia's economic woes again demanding his attention.

Russia is facing a looming debt crisis that, if ignored, could affect all the major Western powers.

Russian analysts fear that it will be difficult for a preoccupied and weakened president to muster support for Russia.

— David Hoffman

## Spain to Continue Crackdown on ETA

Reuters

MADRID — ETA, the Basque guerrilla group, called a halt to three decades of violence with a unilateral cease-fire that began Friday, but the Spanish government vowed to continue to crack down on the group.

ETA's general cease-fire, modeled on the Irish Republican Army's truce in Northern Ireland, took effect just after midnight, marking what state radio called a "historic moment" for Spain.

But Interior Minister Jaime Mayor Oreja made clear that the government had no intention of scaling back police efforts to track down ETA members. "It is clear that the government cannot declare a truce with a terrorist organization," Mr. Mayor Oreja said on Antena 3 television.

He said authorities were concerned that ETA might use the cease-fire to regroup its forces.

## KL: Malaysian Capital Grows Up, Up, Up

Continued from Page 1

such tall towers." Mr. Mahathir said this summer. "You see, when you are short, you take a soap box and you stand on it in order to reach over the heads of people."

Mr. Mahathir made sure the Petronas Towers were constructed quickly by choosing two contractors for the project. A South Korean company had charge of one tower and a Japanese company the other. National pride was at stake.

Khoo Kay Kim, a history professor at the University of Malaya, said he saw proof, during a visit to New York, of how having the world's tallest buildings has raised the city's profile.

"I jumped onto tour buses on several

## FRANKFURT: Changing Ethnic Picture

Continued from Page 1

when some doors must be closed, Mr. Schroeder insists, because "we can no longer bear the burden of hosting a much greater share of immigrants than other European countries."

With more than 7 million foreigners now living in Germany, immigration has become such a volatile issue that some experts say it should transcend politics.

"It's a dangerous game to bring foreigners into an election campaign," said Cornelia Schmalz-Jacobson, federal commissioner for foreigner affairs. "The issue is far too serious to be treated as a superficial tactic to win votes."

Germany is the only major Western nation that bases citizenship on bloodlines, dating to a 1913 imperial decree. With second and third generations of immigrant families still feeling alienated because they have not been able to become German citizens, the risk of a social explosion is growing. Perhaps no other German city has done more to accom-

modate its immigrant population than Frankfurt, where a history of banking and commerce has made the city and its population more open to the outside world.

Besides having the country's only department for multicultural affairs, Frankfurt boasts 9 foreigners among its 93 city council members — a result of a European Union decree allowing foreigners to run in local elections.

What worries many experts is the persistent difficulty of integrating successive generations of foreigners, especially Germany's 2 million Turks, who feel alienated from the local culture where they were born and raised yet also have no affinity for their parents' homeland.

"Even if born and raised here, even if you study and speak German, you are always considered a foreigner," said Manned Paronzo, 38, a computer systems analyst who is president of the city's foreigner advisory board. He was born in Spain and came to Germany when he was 2 years old, yet still has not acquired a passport.

"Germans think foreigners are milking their welfare system but this is a myth," he said. "We are active professionals — nurses, doctors, bankers and lawyers — not jobless people looking for a handout."

Many economists argue that developing a sound immigration policy will be one of the most important tasks of the next government. Within 20 years, there will be two workers for every retiree in Germany. Unless immigrants fill the generational void caused by the low German birth rate, the country's famed social market economy with its generous welfare provisions could crumble.

But the rising tide of xenophobic incidents since Germany was reunited in 1990 is not just limited to the eastern part of the country. In Frankfurt's most recent city elections, 12 percent cast ballots for far-right parties that call for the expulsion of foreigners.

## Italy's Dubbers Silent No More

The Associated Press

ROME — Italy's dubbers on Friday said just the words TV and movie fans were waiting to hear: They were ending their two-month-old strike.

The deal ends a protest that has delayed the Italian release of some Hollywood blockbusters and forced TV subtitles and voice-overs on a public used to skillful dubbing.

The dubbers will go back to work Monday with an accord that gives them the collective contract that was their key demand, they said.

The ANSA press agency said the deal also guarantees weekends off.

Mideast Envoy

Kurdish Chiefs End Rivalry in Northern Iraq



# Mideast Envoy Sees Progress Despite New West Bank Clash

**Agence France-Presse**  
**EL BIREH, West Bank** — Israeli soldiers wounded nearly 100 Palestinians on Friday, but the U.S. Middle East envoy, Dennis Ross, maintained that he was making headway in his attempts to broker an agreement between the two sides.

Clashes erupted outside the Jewish settlement of Psagot, near El Bireh, as a march of more than 2,000 supporters of Hamas, the militant Islamic resistance movement, reached an end.

Israeli soldiers fired stun grenades, rubber-coated bullets and, according to the Palestinians, live ammunition when

dozens of youths started throwing stones and Molotov cocktails at the settlement of Psagot.

A total of 96 Palestinians were injured, according to Shahrir Abdallah, the head of emergency services in El Bireh.

Mr. Abdallah described the condition of three of those hospitalized as "critical," saying two had been hit in the head by rubber-coated bullets and a third in the stomach by a live round.

A spokesman for the Israeli Army denied that soldiers had fired live ammunition.

The Hamas demonstration was or-

ganized to call for the return of the bodies of two of the group's leaders who were killed by Israeli commandos last week in a raid on their hideout near Hebron.

"Revenge, revenge!" the demonstrators shouted after they emerged from Friday prayers. The two men, brothers Imad and Adel Awadallah, were originally from El Bireh.

The clashes erupted as Mr. Ross, on the ninth day of his trip to the region, was meeting the Palestinian leader Yasser Arafat in Gaza.

The U.S. envoy insisted that he was still making progress in his efforts to

broker a compromise between Israel and the Palestinians, though he declined to give details.

"It was a good discussion. We are making headway," Mr. Ross said.

Mr. Ross had delayed his departure from Israel and the Palestinian territories by a day, until Saturday, for what a U.S. Embassy spokesman called "further technical discussions."

Mr. Ross confirmed that he was working on separate meetings of U.S. Secretary of State Madeleine Albright with Mr. Arafat and with the Israeli prime minister, Benjamin Netanyahu, when they visit New York next week.

## Albright Says She's Hopeful

**Earlier, Barton Gellman of the Washington Post reported from Washington:**  
Mrs. Albright showed a degree of public optimism Thursday, for the first time in four months, that an accord between the stalemated parties might be in sight.

"Let me say that we are very hopeful that we will be able to move toward an agreement," she said.

Diplomats in Washington and in the region said the two sides were very close to agreement on an Israeli withdrawal from 13 percent of the West Bank.

## China Will Station Troops in Macau

**MACAU** — China will station troops in Macau when it takes over the Portuguese enclave next year, and it has offered to help battle organized crime, Vice Premier Qian Qichen said Friday.

Mr. Qian said the stationing of People's Liberation Army soldiers in Macau would be a "symbol that China resumed the exercise of sovereignty" over the territory.

Mr. Qian did not specify the number of troops to be stationed in Macau. His announcement follows a wave of bombings, arson attacks and other crimes in Macau, which reverts to Chinese rule at midnight on Dec. 19, 1999. (Reuters)

## Kurdish Chiefs End Rivalry in Northern Iraq

By Barton Gellman  
Washington Post Service

**WASHINGTON** — Leaders of two feuding Kurdish factions have agreed to an American-brokered accord to share power in northern Iraq, where U.S. military aircraft have tried to protect them from the Baghdad government since a failed uprising after the Gulf War.

Massoud Barzani of the Kurdistan Democratic Party and Jalal Talabani of the Patriotic Union of Kurdistan, whose bitter rivalry has broken out repeatedly in heavy fighting, shook hands for the first time since 1994 and agreed on arrangements to share power and economic resources.

Secretary of State Madeleine Albright, who presided over the initialing of the joint statement Thursday, described it as a "new and hopeful chapter."

Mrs. Albright also cited threats to the Iraqi people, including those in the north, among the circumstances that could lead to U.S. military intervention.

With the encouragement of the administration of President George Bush in 1991, Iraq's northern Kurds and southern Shiites, both aggrieved minorities in the Sunni majority state, engaged in an armed rebellion after Iraqi forces were expelled from Kuwait by the Gulf War. President Saddam Hussein crushed the uprisings.

The United States responded in the north with air patrols — which are still going on — and other restrictions that essentially banned Iraqi troops from the Kurdish zones. The result was a quasi-sovereign entity of 2 million Kurds effectively out of Baghdad's reach.

But in the shifting alliances long endemic in Kurdish politics, Mr. Barzani struck a deal with Mr. Saddam in August



Massoud Barzani of the Kurdistan Democratic Party, left, and Jalal Talabani of the Patriotic Union of Kurdistan, signaling an end to rivalry.

1996, invading his rival Mr. Talabani's stronghold of Arbil with support from Iraqi forces. The result was the collapse of a CIA operation to undermine the Baghdad government and an important setback to U.S. policy in Iraq.

In an effort to end the military rivalry, Mrs. Albright authorized a senior diplomat, C. David Welch, to go to northern Iraq to negotiate the agreement.

A senior State Department official said

Thursday night that the Kurdish leaders would not work directly to overthrow Mr. Saddam but that peace between them was essential to reach that objective.

"The encirclement of Iraq has a number of aspects," the official said. "One of them is that there's a significant chunk of Iraq not controlled by Saddam."

"As long as that area is out of his control, that's good," the official said. "That diminishes him."

## Nerve Gas Tests Disputed

New Exams of Iraqi Warheads Contradict U.S.

By Barbara Crossette  
New York Times Service

**UNITED NATIONS, New York** — Swiss and French tests for a poison gas on Iraqi missile warheads appear to have reached results contrary to those of American tests that showed the presence of VX, a deadly nerve agent, according to diplomats.

If the preliminary findings are confirmed, perhaps as early as next week, Iraq is expected to argue that the U.S. tests were rigged to obtain damaging evidence. In June, U.S. experts at a military testing center in Aberdeen, Maryland, said they had found traces of the banned poison gas.

Iraqi officials have told UN weapons inspectors that if there was VX on the missile fragments tested in the United States, the Iraqis did not put it there. Iraq has admitted to loading Sarin nerve gas on weapons, but not VX.

The tests in Switzerland and France were done after the Aberdeen reports were made public and Iraq demanded further analysis outside the United States.

At the UN Special Commission, which has been overseeing the dismantlement of Iraq, a spokesman said that there would be no comment on the new results until a final report was submitted to the inspectors.

The London-based Arabic newspaper Al Hayat said Thursday that the results were already in the possession of the Iraqi government.

The contradictions between the two sets of tests may raise other questions. The Iraqi warheads under study were discovered early this year at a weapons-destruction site north of Baghdad.

Commission officials haggled with Iraqi officials for weeks before being allowed to send some metal chunks dug up at the site to the United States for testing.

Other warhead fragments were stored in Iraq by the inspectors, and there is a question whether the Iraqis might have had access to them before commission officials returned to collect samples for the second round of tests in Europe.

By that time, the Iraqi government knew the Americans had said they had found VX.

The second round of tests were done from swabs taken from the stored fragments. The fragments themselves were not moved from Iraq.

Whether or not Iraq had armed weapons with an extremely dangerous nerve gas is one of the problems central to discussions about Baghdad's compliance with UN demands that it turn over not only material but also documentation on its arms programs so that all prohibited weapons can be accounted for.

All biological, chemical and nuclear weapons as well as certain prohibited missile systems — and the means to produce them — must be destroyed before sanctions imposed on Iraq in 1990 can be lifted.

## Ousted Minister Calls on Mahathir to Step Down

The Associated Press

**KUALA TERENGGANU, Malaysia** — The former deputy prime minister called Friday for the resignation of Prime Minister Mahathir bin Mohamad, boldly escalating his challenge to the man who has ruled the country for 17 years.

Hundreds in the crowd listening to Anwar Ibrahim responded with shouts of support, punching their fists in the air and chanting, "God is great."

Public calls for resignation are extremely rare in Malaysia, where laws

give the government broad powers to arrest political opponents.

Even opposition parties have not called for Mr. Mahathir to leave office or suggested that he be investigated for corruption, as Mr. Anwar did this week in increasingly scathing speeches.

"I call for the prime minister to step down," Mr. Anwar shouted from a platform in front of a house near the beach.

When he yelled to the crowd of 5,000, asking them whether they support his call, hundreds replied, "We do!"

About 15 police officers stood by but

did not intervene.

After grooming Mr. Anwar as his successor, Mr. Mahathir dismissed him on Sept. 2 from the posts of deputy prime minister and finance minister, then engineered his ouster from the governing party. Mr. Mahathir said that Mr. Anwar was morally unfit for office.

Five of Mr. Anwar's associates have been arrested in a police investigation of him on allegations of sexual misconduct, abuse of power, interfering in a police probe and leaking state secrets.

Mr. Anwar denies the accusations.

## Philippine Flood Routs Thousands

**MANILA** — An evacuation of thousands of residents in the northern Philippines was ordered after a dike collapsed Friday night under pressure from flooding caused by a tropical storm, relief officials said.

Parts of four towns in Pampanga Province on the main Philippine island of Luzon were submerged up to chest level in floodwaters from the overflowing Porac-Gumain river.

More rain was expected over Luzon, including Manila, from the storm, designated Vicki. (Reuters)

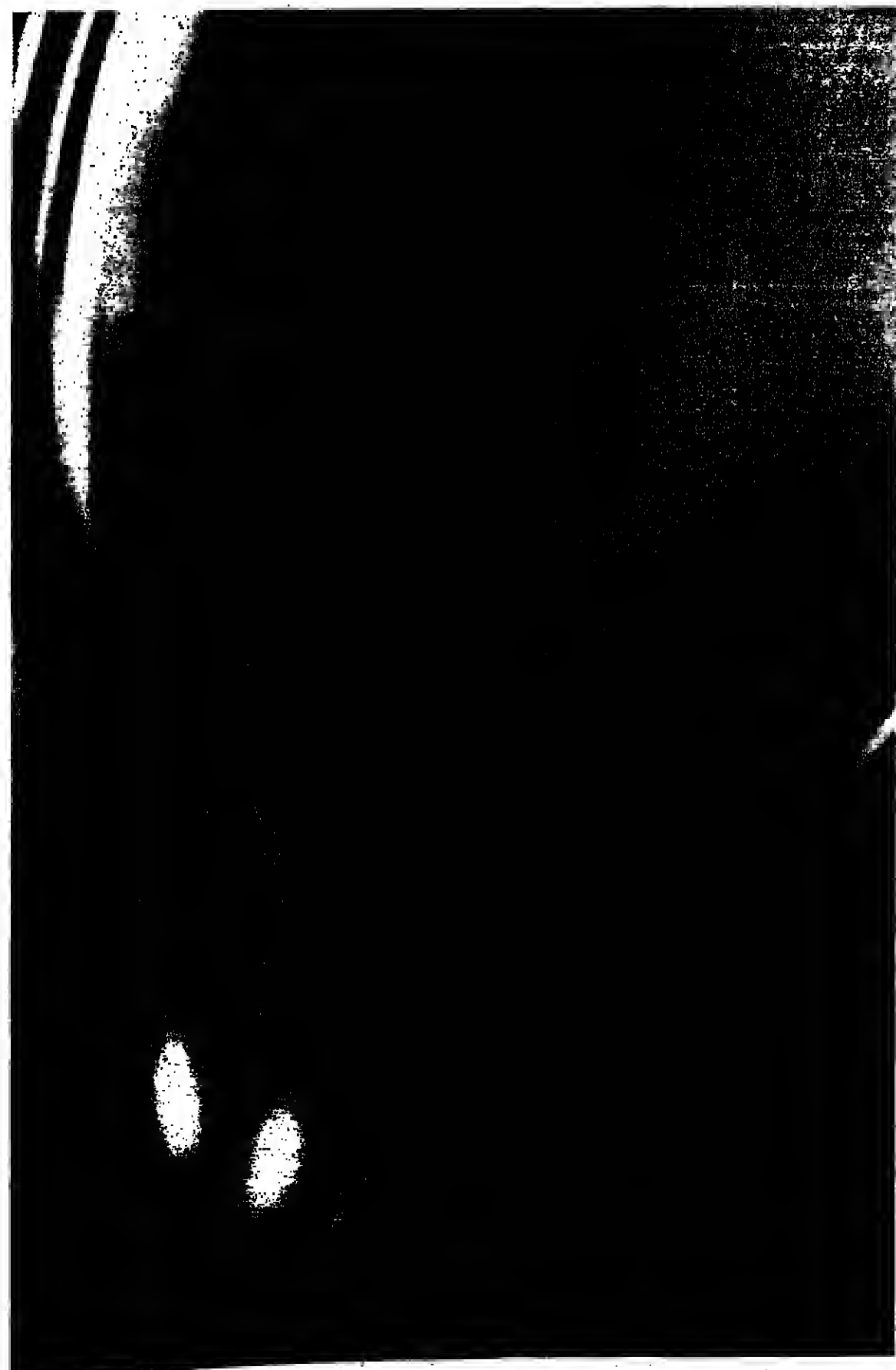
## Plan for New Party Shelved in Beijing

**BEIJING** — Chinese police interrogated three dissidents in separate, three-hour sessions and warned them not to try to set up an opposition political party, one of those interrogated said Friday.

Reo Wandering, prominent in the dissident community, said his detention and questioning had persuaded him to give up plans to register the China Democracy Party's Beijing branch. Police said that "setting up political parties is not permitted," Mr. Ren said. (AP)

## For the Record

A volcano on Ecuador's Galapagos islands spewed two rivers of molten lava but posed no immediate threat to giant turtles made famous a century ago by the English naturalist Charles Darwin, park authorities said. (Reuters)



DE L'EXCEPTION LA RÈGLE.

THE EXCEPTION IS THE RULE...SUSTAINING EACH EFFORT UNTIL THAT MOMENT OF PERFECT HARMONY WHICH MARKS THE CULMINATION OF ALL ENDEAVOUR...SEEKING OUT THE EXCEPTIONAL BECAUSE NOTHING LESS WILL DO...ALWAYS SEARCHING, NO STRANGER TO DOUBT...EMBRACING EACH DAY WITH PATIENCE ANEW...FOR TWO HUNDRED YEARS NOW, SUCH HAS BEEN THE DESTINY OF THE HOUSE OF LOUIS ROEDERER.

LOUIS ROEDERER  
CHAMPAGNE



# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Rancor in Congress

The nonpartisan, dignified review of the Monica Lewinsky case that was promised by congressional leaders last week has quickly descended into political acrimony and the pursuit of tangential matters. The squabbling does not augur well for the hard work that lies ahead as the House of Representatives considers whether to initiate impeachment proceedings.

The Judiciary Committee argued furiously over whether to make public the videotape of President Clinton's Aug. 17 grand jury testimony, with the Democratic minority trying to block or limit release. The doneybrook was pointless. The public interest requires open access to Mr. Clinton's testimony and other materials related to the core questions of whether the president lied under oath, obstructed justice and tampered with witnesses.

Mr. Clinton himself made the videotape of his grand jury appearance relevant because of his insistence that he did not commit perjury in denying that he had sexual relations with Ms. Lewinsky. His assertion there and in the account he gave in the Paula Jones civil lawsuit is debunked by the evidence presented in Kenneth Starr's report. But since Mr. Clinton has taken a position contrary to the facts now on record, the American people should have the chance to see his testimony in its totality so they can assess his candor.

As the political heat in Washington rises, it is disheartening but not sur-

prising to find the private lives of members of Congress being publicly examined. The House Judiciary Committee chairman, Henry Hyde, became the third Republican in recent weeks to acknowledge an extramarital affair when faced with press reports about a liaison. In the Hyde case, Salon, the Internet journal that disclosed the affair of 30 years ago, demeaned itself by saying publication was justified because "ugly times call for ugly tactics."

The Salon report was not cause to call on the FBI to determine how the journal learned of the affair. But that is what the Republican leadership did Thursday after accusing the White House of planting the story in an effort to intimidate lawmakers.

Though the Clinton team has a record of rummaging through the private lives of opponents hunting for embarrassing information, Salon says the White House had nothing to do with the Hyde story. If Congress wants to look into White House conduct, it has the means to do so on its own. Bringing in the FBI to investigate journalistic sources is a misuse of the agency and a clumsy attack on press freedom.

The prospect of impeachment proceedings should be sobering to both Republicans and Democrats. The American people expect more of their representatives than partisan bickering and chasing after reporters' sources.

—THE NEW YORK TIMES

## Marauding in Kosovo

When starvation and exposure begin to claim the lives of thousands of women and children in Kosovo a few weeks from now, no one will be able to claim ignorance as an excuse for inaction. "Massive war crimes have been committed here," John Shattuck, assistant secretary of state for human rights, said during a recent visit to the Serbian province. "They're starving their people," said Julia Taft, also an assistant secretary of state. "The disproportionate use of force by Serbian police and military units," said the United Nations secretary-general, Kofi Annan, has led to "mass displacement of the civilian population." The UN Security Council agreed: "We are facing a humanitarian catastrophe in Kosovo."

Serbian troops led by the Yugoslav president, Slobodan Milosevic, are systematically uprooting Kosovo's ethnic Albanian population. Village by village, houses are burned, livestock slaughtered, crops destroyed and people shot or sent fleeing into the mountains. Hundreds of thousands have been forced from their homes. Mr. Milosevic promised to establish 11 centers for displaced people; his troops

already have shelled three of them. Even those not forced to flee are threatened by a Serb blockade of food and medicine.

This humanitarian disaster cannot be ended without a political solution, and a political solution is impossible without a U.S. resolve to use force, if necessary, against Mr. Milosevic's marauding soldiers. President Bill Clinton and his team have promised again and again to show such resolve, but their threats have proved empty. Instead, Mr. Clinton sends his emissaries, again and again, to plead with the war criminal to stop his crimes. Mr. Milosevic has learned he can defy them at no cost.

What is unfolding is genocide at one remove. "A massacre is not necessarily committed only with knives," a displaced woman said. Analogously, Mr. Milosevic is managing to destabilize moderate governments throughout the region without waging war against them simply by overwatching them with refugees. NATO, huddling about its contingency plans, becomes a laughingstock. The longer Mr. Clinton dithers the greater the costs will be.

—THE WASHINGTON POST

## Central Banks Must Act

With the world economy growing at the slowest pace in decades — and many countries in recession — only the nations that are growing the fastest are in a good position to help the world economy before the problems engulf us all. But there is a great reluctance to act. This week there was heavy talk of coordinated action among the G-7 countries to stimulate world growth, and it appears that finance ministers in many of those countries are persuaded that action is needed. But the two most important central banks in the world — the Federal Reserve and the Bundesbank — do not appear ready to take coordinated action to reduce interest rates.

That hesitation is understandable considering that each central bank's legal duty is to help its own national economy, and neither Germany nor the United States appears to be in imminent danger of recession — at least based on their own domestic economies.

The greatest problems are in countries whose central banks cannot cut interest rates to stimulate growth, simply because to do so would be to invite the collapse of their own currencies.

Where there is a world central bank, there is little doubt that it would be leading to action in an effort to spur growth. Bridgewater Associates, a Connecticut-based economic consulting firm, reports that world growth is now at a 30-year low, despite the fact that the U.S. economy has grown 3.6 percent over the past year. The figure for the rest of the world was a scant 0.3 percent.

Countries that are doing well are likely to see a flood of cheap imports

from those economies that are in trouble, raising the threat that developed countries will retreat toward protectionism. Already, with the trade deficit growing, the American steel industry is demanding that duties be placed on low-cost steel arriving from Asian and Russian producers who have seen their former Asian markets dry up.

The state of South Dakota, reacting to the complaints of farmers, is trying to hamper the importation of Canadian grain and livestock.

In an atmosphere of low commodity prices around the globe, inflation is not the threat it was even a few years ago. Fears of inflation should not now prevent interest rate cuts by central banks.

Such moves could help to offset the decline in global economic growth.

—THE NEW YORK TIMES

## Other Comment

### Defense Budget Crunch

U.S. military leaders have told President Bill Clinton that static defense budgets and the strains of peacekeeping missions abroad have cut deeply into the readiness of the armed services to respond to overseas crises. Congress might want to reconsider its adamant opposition to eventually saving billions of dollars by closing military facilities the Pentagon says are redundant. And many in Congress are eager to begin spending billions in new money for a national anti-missile system for which there seems little strategic justification.

Los Angeles Times

## Taking the Road to a Peaceful Asia, Step by Step

By Ezra F. Vogel

SINGAPORE — China, the United States and Japan are fundamentally committed to a peaceful environment, despite domestic constraints and pursuit of national interests. They are ready to cooperate to resolve regional problems and to strengthen regional institutions.

But only by building a strong triangular relationship and cooperating closely can they gain the level of cooperation needed to preserve peace and security in Asia. It is in the interests of other countries in the region to contribute toward this goal.

The proper management of the relationship requires that important developments between two nations on one side of the triangle be balanced by dealing carefully with the other two sides of the triangle.

On major issues, the two sides will

Second of two parts.

sometimes express the same view against the third. But because of the fragility of the triangle and the lack of mutual confidence, this can be seen as "ganging up." Many mistakes have already occurred.

The United States, in negotiating with Japan the redefinition of their security relationship in 1994 and 1995, did not keep China adequately informed. Neither did Japan. This fueled Beijing's suspicions that the U.S.-Japan Security Treaty was aimed at China, an issue that still haunts the relationship.

During his visit to China in June, President Bill Clinton failed to mention the U.S. security alliance with Japan and chose not to visit Japan as well. His actions encouraged those in China who hoped to push for improved U.S.-China relations at the expense of U.S.-Japan relations, creating intense worries in Japan that Washington's improved relations with Beijing would be at the expense of its relations with Tokyo.

In 1998, Washington publicly castigated Tokyo for not following concrete American prescriptions on stimulating the economy, and publicly praised China for not devaluing its currency. The pronouncements set off strong nationalist responses in Japan against the United States.

Tokyo has also been insufficiently sensitive to the impact on Asia of its failure to stimulate the Japanese economy, thereby creating the perception that the United States and China are

cooperating to end the Asian crisis while Japan is not.

China, Japan, and the United States cannot and should not become a bloc. But high-level representatives of the three countries should meet to exchange views on regional and global developments to develop a common base of understanding for cooperation, including issues that are also dealt with by broader regional and global institutions like APEC, the Asia Pacific Economic Cooperation forum, and the United Nations.

The three nations in the triangle should also keep open relations with other countries, especially Russia, South Korea, India, Pakistan, and members of ASEAN, the Association of South East Asian Nations.

Issues that need to be taken up in discussions among the three powers include:

• Coming to terms with World War II: The Chinese remain highly emotional both about Japanese cruelties in World War II and about the Japanese failure to discuss them fully and openly. The Japanese feel they have repeatedly apologized. The countries need to open their historical records to objective scholars from Japan, China, and other nations, then educate their citizens about their findings.

• Building a sound postwar regional economic structure: In the short run, the three powers need to work together to avoid a new round of competitive currency devaluations and help in East Asia's reconstruction. Among the issues to be considered are mechanisms for reducing the danger of sudden capital flight; reserve currency baskets for the region that would include the Japanese yen and possibly the Chinese yuan as well as the U.S. dollar; mechanisms for controlling excessive fluctuations in exchange rates; agreements for continued trade and investment liberalization in the region; and the creation of an Asia Fund to respond to emergencies without the moral hazard of rewarding the speculators who lose from market decisions.

• Resolving the Taiwan issue: How can the three powers avoid the dangers of confrontation that occurred in March 1996 near Taiwan and the anxieties created in China the following month with the reaffirmation of the U.S.-Japan Security Treaty? Misunderstandings could lead to conflict.

• Preserving peace on the Korean Peninsula: Long-term peaceful relations on the peninsula require the cooperation of Japan and China. China should take part in the Korean Energy Development Organization, while Japan, as well as China, should take part in the creation of a new peace treaty. Understandings need to provide assurances to China, Japan, and a united Korea that would avoid a new arms race in the region.

• Accepting the U.S. military role in Asia: The Chinese have enunciated the principle that no nation should station troops in another country. But the presence of U.S. forces in Asia may help Japan to choose not to try to become militarily dominant in Asia. If China wishes to avoid the rise of independent Japanese militarism, it is in its interests for U.S. troops to remain in Japan. Given the dangers of Chinese-Japanese

**Given the fragility of the relationships and the lack of mutual confidence, any two nations have to avoid the appearance of 'ganging up' on the third.**

rivalry on the Korean Peninsula, it is also in Chinese interests to encourage the United States to retain troops in South Korea to reduce the risks of confrontation. For the Chinese to accept the U.S. military role in East Asia, Beijing will have to develop confidence that American troops will not be used to contain China.

• Extending arms control: Following the recent nuclear explosions by India and Pakistan, agreements about weapons of mass destruction and about conventional arms limitation will require cooperation throughout Asia. If North and South Korea are to reduce their armaments, and if Japan is to remain nonnuclear and committed to only defensive military activities, China will have to become more transparent about its activities and follow Japan's path of not developing a military capable of projecting power beyond the territory it now claims.

One of the central questions confronting Japan and Taiwan is whether

to develop anti-ballistic missile defense systems. Since China has weak naval and air forces, its leverage is missiles. It finds the prospects of an effective anti-ballistic missile defense system in Japan and Taiwan disturbing.

• Joint response to emergencies: All three powers cooperated in peacekeeping activities in Cambodia under the UN flag. They should begin planning joint military exercises, starting with those for humanitarian purposes, such as disaster relief and flows of refugees from such places as North Korea and Indonesia.

• Maintaining the natural environment: Acid rain from China affects Japan. China is especially in need of technology and financial aid to help deal with its growing pollution problems. The United States and Japan are already working with China to provide it with technology and aid.

• Gaining full representation of China and Japan in international organizations. Even though Japan has the second-largest economy in the world and pays more dues to the UN than any other country except the United States, it is not yet a member of the Security Council. Although China is already the third-largest economy in the world, it is not yet represented in meetings of the leading industrial powers. Nor is it a member of the World Trade Organization, the Nuclear Nonproliferation Treaty, and other international regimes. Japan and China, with U.S. cooperation, could support each other for membership in global organizations.

Washington and Tokyo need to offer continued reassurance to Beijing that a strong and prosperous China is in their interest. In return, Beijing must make it clear that it does not challenge the U.S.-Japan security alliance and does not seek to improve its relations with Washington at the expense of Washington's ties with Tokyo.

In addition, all three powers should undertake broad discussions, modeled on the Clinton-Jiang exchanges in China, to keep people on each of the three sides of the triangle apprised of major developments in their relations.

The writer is head of Fairbank Center for East Asian Research at Harvard University. This comment was adapted by the International Herald Tribune from the second Goh Keng Swee Lecture on Modern China he gave in Singapore recently.

## Clinton and Rubin: A Gap on Economic Turmoil

By Jim Hoagland

WASHINGTON — In early summer as Wall Street surged toward new high ground, a senior U.S. official interrupted a conversation about global economic trends to comment simply on the amazing rise of the stock market: "Whatever else it is, the Lewinsky scandal is not a factor in the U.S. economy. It is not a drag on our policies or performance."

That was then. In recent weeks the costs the scandal has inflicted on President Bill Clinton, his authority and his cabinet have turned a flawed presidency into a failed presidency. And it is precisely in international economics that Mr. Clinton's loss of credibility as world leader is now visibly and dangerously surfacing.

Mr. Clinton and the Treasury secretary, Robert Rubin, staged a flurry of appearances this past week to argue otherwise and briefly stabilize markets. Mr. Clinton's pals abroad rushed to show their thoughts were with

him and to calm a troubled international environment.

Phone calls from Prime Minister Tony Blair of Britain and President Jacques Chirac of France to back up Mr. Clinton were publicized by their aides. Chancellor Helmut Kohl of Germany, fighting for survival in the Sept. 27 elections, took time to issue a statement praising the president.

"We will do everything we can to help him stay standing," a senior European official told me as the coordinated prop-up effort began. "An American president too weak to lead to world affairs, too weak to keep America engaged in world affairs, is not in our interests."

But the phone calls, other statements of support from abroad and assertions by Mr. Clinton that he leads on in undiminished fashion ultimately serve only to call attention to this president's ebbing authority.

When I suggested to an Israeli analyst that Prime Minister Benjamin Netanyahu could give Mr. Clinton a diplomatic windfall by surging a deal with the Palestinians over, he agreed but added: "Why give up something to someone he is not sure will be there in a few months to return the favor?"

The most urgent part of the Clintonian decline shows up in the sagging fortunes of the global economy — and in the growing inability of American, European and Japanese authorities to agree on responses to the world's financial upset.

That division worsened this past week as Mr. Rubin's chief of international partners backed out of a public statement that required them to do nothing more than hint at coordinated interest rate cuts to steady markets.

The statement was released in London on Monday by the deputy finance ministers of the

Group of Seven leading industrial nations, money for and which other nations will not support if it means sacrifice. What can I do with these bozos? he silently asks by an arch of the eyebrow.

Mr. Rubin's influence and importance are at their height. His continuation in office is more important in at least one respect than Mr. Clinton's: If the president were to resign and spare the country months of bitter political wrangling, markets would shoot up. If Mr. Rubin resigned, the bottom would drop out. His concern for the country and for his reputation rules out Mr. Rubin's resignation now.

But there is a growing gap between his stubbornly minimalist approach to this crisis and the president's need for dramatic, overarching action to restore confidence in the markets, and in his presidency. In that gap lie uncertainty and more trouble for the post-Lewinsky financial world.

The Washington Post

## A Financial Taint South America Doesn't Deserve

By Joseph Stiglitz

WASHINGTON — Russia's economic crisis has rattled financial markets around the world, and it has caused significant fluctuations in Brazil's stock index. But Brazil and other South American countries deserve better than to be tainted by someone else's troubles.

We have seen this type of contagion before as investors, realigning their portfolios, have damaged seemingly unrelated countries and regions. Mexico's devaluation of the peso in December 1994, for instance, unsettled markets in Asia.

In such cases, the two regions' economies generally have little in common on the surface. They do not suffer from the same ills, and their trade relations are limited. It is hard to find a reason that a decline in one would cause the other's market to dive — other than an irrational panic affecting both.

Fortunately, markets usually exhibit a kind of collective rationality — eventually. They find countries with similar characteristics and distinguish those with good fundamental economic conditions and sound policies from those facing serious problems.

It is an especially cruel injustice that Latin America is subjected to the harshest impact of the Russian crisis. In recent years, World Bank officials and others have watched with admiration as Latin nations have recovered from the debt crisis

into which they tumbled almost 20 years ago.

Extrajurisdictional have become thriving democracies. In a region once plagued by hyperinflation, inflation is now typically in single digits.

These countries learned the lesson of sound economic management the hard way, but they learned it thoroughly. They undertook the deepest reforms without outside pressure. Some of these achievements — the Real Plan in Brazil, economic reform in Argentina and myriad economic innovations in Chile — are serving as models for the developing world.

Latin America's reforming economies have realized that public programs cannot exist without public revenue, and in most cases they have succeeded in aligning the two. They have increased current revenue or cut spending as necessary. They have worked to ensure long-term fiscal balance by undertaking, among other steps, pension reforms.

The vicissitudes of the global economy demand frequent adjustments, and here again, Latin nations have shown skill. They have recognized that the engine of growth in modern economies is the private sector, and they have worked to create a market-friendly environment with the appropriate institutional foundation, including greatly strengthened banks. Consolida-

tion, selective liquidations and new entry by foreign banks have all helped reinforce these financial institutions.

The results of these policies can be seen in recent privatizations, such as that of Telebras, Brazil's giant telephone holding company, which raised \$19 billion, roughly 70 percent more than the minimum asking price.

Latin American countries have now gone beyond their initial reforms into "second generation" reforms, recognizing the importance of elements such as competition and regulatory policy. They are tackling other problems too: improving education, for example, and reforming judiciaries.

Here they have shown innovation, along with a willingness to engage in calculated experiments. In El Salvador and Nicaragua, for example, societies that little more than a decade ago were torn by civil wars, initiatives are under way to give local communities control of education. The World Bank is working with Brazil on land reform that promises to improve agricultural productivity as it offers hope to previously landless peasants.

Many challenges remain, of course, and there will be stumbling blocks in one country or another. But looking at these economies as a whole today, strong fundamentals and a bright future are evident. The

governments are committed to addressing their problems and to building a social consensus behind sound economic policies.

The paradox is that the panicking market has, for reasons completely unrelated to the region, demanded that Latin American investments deliver unreasonably high interest and

dividends to cover the perceived risks. By driving interest rates up and stock prices down, the markets risk doing severe damage to the Latin economies.

The writer is chief economist at the World Bank. He contributed this comment to The New York Times.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1898: Color Pictures

PARIS — The "Figaro" publishes an interesting account on the evolution of photography in color, apropos of the invention by M. Mathieu. The problem of color-photography is effectively solved by M. Mathieu's process, in which this process is based on the fact that all the colors perceptible to the human eye are combinations, varying in proportion and degree, of the three colors, red, yellow and blue. By means of colored screens the colors can be split up so that each may have its own individual action on specially prepared sensitive plates.

### 1923: American Habit

LONDON — While many Britons are lamenting the growth of American habits, the spread of the American slang and the monopoly of the American movies, the London representative of an

American chewing-gum concern told that, after years of effort, one-eight of the British population has now fallen for the chewing-gum habit. While footballers and athletes use it in public, it is still a private habit. Nevertheless, British jaws are now masticating more than six million packages monthly.

### 1948: An Old Quarrel

ST. HELIER, Jersey — Great Britain and France are still quarrelling about a bit of unfinished business from the Hundred Years' War — almost 500 years ago. It's the ownership of two little islands in the Channel, midway between the French and British coasts. Ever since the end of the Hundred Years' War, smugglers from the two countries have been hiding there. The International Court of Justice will be asked to decide which flag will fly over the Isles of Les Minquiers and Les Ecrehou.

## Herald Tribune

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Albania	Eritrea	Mozambique
Algeria	Estonia	Myanmar
Andorra	Ethiopia	Namibia
Angola	Fiji	Nepal
Antigua and Barbuda	Finland	Netherlands
Argentina	France	New Zealand
Armenia	Gabon	Nicaragua
Australia	Gambia	Niger
Austria	Georgia	Nigeria
Azerbaijan	Germany	Norway
Bahamas	Ghana	Oman
Bahrain	Greece	Pakistan
Bangladesh	Grenada	Palau
Barbados	Guatemala	Panama
Belarus	Guinea	Papua New Guinea
Belgium	Guinea-Bissau	Paraguay
Belize	Guyana	Peru
Benin	Haiti	Philippines
Bhutan	Honduras	Poland
Bolivia	Hungary	Portugal
Bosnia and Herzegovina	Iceland	Qatar
Botswana	India	Republic of Korea
Brazil	Indonesia	Romania
Brunei Darussalam	Iran	Russian Federation
Bulgaria	Iraq	Rwanda
Burkina Faso	Ireland	St. Kitts and Nevis
Burundi	Italy	St. Lucia
Cambodia	Jamaica	St. Vincent and the Grenadines
Cameroon	Japan	Samoa
Canada	Jordan	San Marino
Cape Verde	Kazakhstan	Sao Tome and Principe
Central African Republic	Kenya	Saudi Arabia
Chad	Kuwait	Senegal
Chile	Kyrgyzstan	Seychelles
China	Laos	Sierra Leone
Colombia	Latvia	Singapore
Comoro Islands	Lebanon	Slovakia
Congo	Lesotho	Slovenia
Costa Rica	Liberia	Solomon Islands
Cote d'Ivoire	Libya	Somalia
Croatia	Liechtenstein	South Africa
Cuba	Lithuania	Spain
Cyprus	Luxembourg	Sri Lanka
Czech Republic	Madagascar	Sudan
Democratic People's Republic of Korea	Malawi	Suriname
Democratic Republic of the Congo	Malaysia	Swaziland
Denmark	Maldives	Sweden
Djibouti	Malta	Syria
Dominica	Marshall Islands	Tajikistan
Dominican Republic	Mauritania	Tanzania
Ecuador	Mauritius	Thailand
Egypt	Mexico	The Former Yugoslav Republic of Macedonia
El Salvador	Micronesia	Togo
	Moldova	Trinidad and Tobago
	Monaco	Tunisia
	Mongolia	Turkey
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		Uganda
		Ukraine
		United Arab Emirates
		United Kingdom
		United States
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		Vanuatu
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		Viet Nam
		Yemen
		Yugoslavia
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## Countries not eligible to sit on the United Nations Security Council:

Israel

Believe it or not, Israel is the only one of the 185 member countries ineligible to serve on the United Nations Security Council, the key deliberative group of the world body. Even Iraq is eligible. So is Iran. And so, too, are Cuba, Libya, North Korea, Sudan and Syria.

Why is it that these seven nations, all cited by the U.S. State Department as sponsors of terrorism, are eligible to serve rotating terms on the Security Council, yet Israel, a democratic nation and member of the UN since 1950, is not?

To be eligible for election, a country must belong to a regional group. Every UN member state—from the smallest to the largest—is included in one of the five regional groups. By geography, Israel should be part of the Asian bloc but such countries as Iraq and Saudi Arabia have prevented its entry for decades.

But only Israel among all UN members is denied the right to belong to any regional group. As a temporary measure, Israel has sought acceptance in the West European and Others Group (WEOG), which includes not only the

democracies of Western Europe but also the United States and other Western countries.

The UN Secretary General, Kofi Annan, on March 25, 1998, called for an end to this injustice to Israel and "the normalization of Israel's status within the United Nations..." Moreover, several countries, including the U.S., Australia, Canada and Norway, have expressed support for Israel's admission to WEOG, but the 15-member European Union refuses to act.

Thus, without membership in a regional group, Israel can never be elected to serve a term on the Security Council or, for that matter, to the other most important bodies of the UN system, such as the Economic and Social Council, the World Court, and the Commission on Human Rights.

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H.E. Ambassador Jeremy Greenstock  
Permanent Representative of the  
United Kingdom to the UN  
1 Dag Hammarskjöld Plaza, 885 Second Avenue  
New York, NY 10017

Dear Mr. Ambassador:

We urge all members of the European Union to accept Israel as a temporary member or participant in the West European and Others Group. As you know, Israel is the only country denied membership in any regional group.

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Thank you.

Sincerely,

H.E. Ambassador Dr. Ernst Suchanipa  
Permanent Representative of Austria to the UN  
Representative of the Presidency of the European Union  
823 UN Plaza  
New York, NY 10017

Dear Mr. Ambassador:

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Thank you.

Sincerely,

H.E. Ambassador Dr. Dieter Kastrup  
Permanent Representative of Germany to the UN  
871 UN Plaza  
New York, NY 10017

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## German Cons The Great Ot

By Michael...

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## ART

## East Meets West, Giving Market a Boost

By Souten Melikian  
International Herald Tribune

LONDON — It was the first serious test of the art market as seen from Europe. "The Art & Influence of Asia" sale with its almost exclusive focus on Japanese art of the 19th and 20th century held at Bonhams this week could not have come at a more sensitive moment.

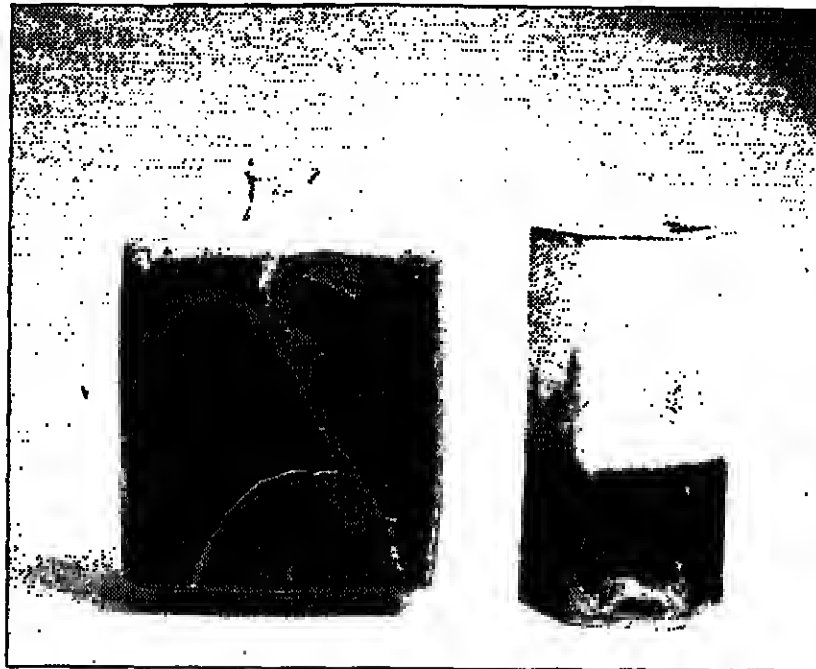
Did Cyril Frankel, the British film and theater director, whose second passion is avant-garde ceramics and who masterminded the meteoric rise of Bonhams in the field in just 10 years, have secret misgivings at the back of his mind? This was the first time that stone-ware vessels by Shoji Hamada, Japan's leading 20th-century master potter, were up for sale in large numbers, and yet Frankel, with all his admiration for the master, did not play up that motif. Instead, the catalogue cover mentioned that this was the sale of the Janet Leach collection of pottery.

True, that made it yet another world premiere. For the first time, it was possible to see the Japanese vessels that the Texan potter, née Janet Darnell, had most admired and lovingly collected, first while studying the art in 1954 under Hamada in Japan and later over a lifetime of working trips to Japan. At the viewing that preceded the auction, a few of Janet Leach's own pots and other vessels by her husband, Bernard Leach, transformed the room into a unique showcase of East-meets-West avant-garde pottery.

One object admirably symbolized it — a big 18.5-inch-high Korean jar of the 17th or 18th century covered in a thick off-white glaze. Bernard Leach had bought it in Korea in 1943. Back in England, he first entrusted it to his friend the potter Lucie Rie, and then gave it to her. She, in turn, left it to Janet Leach with whose collection it was being sold this week.

If ever the fate of an object must have seemed uncertain, this was it. With South Korea steeped in depression, the days when it might have gone for \$1.5 million or more seemed an eternity ago.

The beauty of the art market, however, is that it is unpredictable. What drives traditional buyers who buy not for investment or for status is their



A flattened, square bottle vase and a hexagonal vase by Shoji Hamada.

love of the objects. They are moved by an impulse that is as irresistible as it is ill-defined. Add the rarity factor in a market where supplies are shrinking, and the collector's attraction can prove more powerful than the fear of economic disaster.

On Wednesday, its effect was perceptible right from the beginning. The sale started in a low key with trinkets of the kind that have enchanted Europe since the 19th century. They included, for example, netsukes, i.e. small animal figures in wood or ivory made to dangle from the strings of medicine boxes. Their technical perfection can make the best of them irresistible to those whose feel for art is tactile as well as visual.

By the time a small rat curling over a vegetable, carved in brown wood by Tomokazu, fetched £2,185 (\$3,670), more than the estimate, some professionals began to feel that things were not going badly. Minutes later, the first piece of some significance came up. The ivory rabbit pausing to scratch its shoulder with

intense concentration carries the signature Kaigyokusai Masatsugu (1813-92), a household name to the cognoscenti, who ran it up to a generous £34,500.

And then came the big test of the day — Bernard Leach's white Korean jar for which Bonhams quoted a £150,000 estimate. I watched a Korean win sit in one of the back rows as he battled with another bidder from the Far East. The white jar climbed up to £386,500. Given the chip at the mouth and a star crack in the lower part of the body, the price is huge even if it was less than what it would have cost at the height of the Korean craze three or four years ago. The buyer identified himself as "a Korean collector living in the United States." The East-meets-West phenomenon had done the trick.

It did it again on a smaller financial scale but over a considerable number of objects, when came the turn of Hamada and his school. A Japanese writer, Yukio Kikuchi, remarks that "a crucial turning point which turned Hamada's interest from painting to pottery was his encounter with works by Bernard Leach

and Kenkichi Tomimoto in the Mikasa Gallery, Ginza, in 1912."

Hamada thus came around to Japanese pottery via the work of a Westerner who wanted to be Japanese and that left its imprint on his work. The Japanese master whom Hamada equally admired was Tomimoto, himself penetrated with Western influences. A square stoneware dish in the sale was painted with a landscape in quick reddish strokes in quasi-abstract fashion in a Westernizing rewrite of the Japanese tradition. Tomimoto's strokes owe as much to Western abstractionism as to Eastern calligraphy. The dish was acquired for £2,300 by a bidder who later bought another square dish, this time by Hamada.

Done in a Japanese medium, stoneware, and in Japanese colors, brick-red over brownish black, this, too, betrays a Western influence. Hamada's piece has a vibrato to the abstract strokes that is more evocative of New York school Expressionist abstractionism than of Japanese design. It made £9,200. The buyer was a Japanese collector as much at home with 20th-century Western art as with the art of her own culture.

Hamada's Westernizing interpretations of the Japanese potter's art likewise fascinated Western buyers. A young English collector went after a squat vase in red and green enamels on ivory ground, paying a stiff £11,270 to get it, and later succumbed to the lure of a £1,955 footed bowl by Fujin Kiyama. Decorated in a few short strokes of dripping rusty brown enamel and a single arched stroke of green enamel on white ground, Kiyama's bowl looks like some ceramic invention of the New York school of the 1970s.

Ironically, but to the point, the true masterpiece in the Japanese taste was inexpensive. The hexagonal vessel has the size of a traditional brush pot. Decorated in dark brown in the lower area and pale olive mountains rising on tones of white in the upper part, it is immensely poetic and made only £2,950, matching one of Frankel's remarkably accurate expectations, bang in the middle.

For collectors, this was a fantastic day in which prices were entirely determined by them, not by speculators. For Bonhams, it was a small triumph. For the true art market, not driven by hype, it augurs rather well.



Detail of the right panel of Otto Dix's 'Metropolis'.

## German Conscience: The Great Otto Dix

By Michael Gibson  
International Herald Tribune

SAINT-PAUL-DE-VEENCE, France — The art of Otto Dix (1891-1969) is heir to the high tradition of German art — to the likes of Dürer, Altdorfer and Cranach. Its importance has been partly obscured by the grim historical ambiguities of this century, but as time passes, it will become increasingly obvious that he was one of the major artists of our century.

This much can be seen from the very fine exhibition at the Maeght Foundation (to Oct. 18). Dix's father worked in a foundry, his mother had a gift for drawing. His earliest paintings shown in this exhibition were done between the ages of 18 and 22 and their dominant mood is stark black and brutally industrial.

The influence of Expressionism is apparent here, but so is that of the dreary lives of the German proletariat whose child Dix remained and to which he always sought to do justice in a straightforward language and without political intent.

When World War I broke out, Dix was 23. Like many of his young compatriots, stirred by the fashionable notion that war would purify society, Dix volunteered. His first drawings from the trenches show an occasional devastated village or exploding shell, but they do not reveal the full truth of these terrible events.

That would come in 1922, when he produced a sequence of 51 engravings — all shown here — which in every way deserve comparison with Goya's "Disasters of War."

Dix, like so many others who had been in the trenches, came to realize that what had actually happened there was beyond anything he or anyone else had anticipated. The Czech philosopher Jan Patocka maintained that World War I was the decisive event of the 20th century. It was so (he wrote in his "Heralical Essays") because force was applied on a scale and with a degree of brutality without precedent, subjecting those who were sent to the front to an unimaginable degree of terror and absurdity. This is what Dix also manages to suggest.

One senses, in viewing these works, that the experience of trench warfare, with the huge industrial power of artillery playing the part of a merciless God, is a cultural shock quite comparable in scale (though in a different register) to the equally industrial reality of death camps in World War II.

Emerging from this war, and con-

fronted by the social, moral and economic chaos of the '20s, Dix realized that war had "purified" nothing. He first joined forces with the Berlin Dadaists, producing paintings and collages whose corrosive power remains undiminished.

But at the same time he started taking a keen interest in traditional German painting. As a result, we have works done in the '20s that are all the more searing and sinister (the old lovers, the old prostitutes) that they are couched in an extremely demanding idiom.

The masterpiece of this period is surely the "Metropolis" triptych, entitled "Metropolis." The central panel shows the glitter of those who can afford to dance all night while the side panels offer a grim parade of the mutilated, the legless soldiers stumbling about on crutches, the expressionless prostitutes grotesquely strutting past weirdly erotic marble facades.

In the early '30s, Dix was blacklisted by the Nazis. Under similar circumstances, other artists fled abroad. Dix, however, retired to the country and did his best to be forgotten. And since he could not paint the sort of work he favored in the past without fear, he devoted himself to a series of extraordinary landscapes couched in an idiom derived from the likes of Altdorfer or Bruegel.

THE paintings done in 1940 and '41 are tender beyond belief. This attention to all the minutiae of country life, and the delicate colors of the landscape, was, up to a point, a protective device at a time when Nazi propaganda demanded a return to the style of the Old Masters. Dix used landscape as an allegory. The ice breaking up on the river in front of Steeborn, and the rainbow descending vertically upon the village, can be read as a prophecy and a blessing. Prophetic, too, are the two forest paintings done in '42, which suggest that the nation is lost in a deep wood.

Toward the end of the war, Dix, then 54, was mobilized into the Volksturm and taken prisoner by the Allies. He spent 18 months in a POW camp where he continued to paint. This last period of his work, both Expressionistic and mutedly despairing, can be seen retrospectively to forebode the style of painting now current in Germany.

The entire work is a poignant memorial to the century we will shortly be leaving. It places Dix very high indeed, as an artist and a human being, and reveals the significance of German art throughout the harshest of times.

## Gentle Changes for the Frick Collection

By Carol Vogel  
New York Times Service

NEW YORK — Samuel Sachs 2d, director of the Frick Collection, may work at a Chippendale desk in a paneled room built more than eight decades ago as the boudoir of Adelaide Childs Frick, but he spends his days looking toward the future.

Flashing across his computer screen is a picture of the Frick's famous living hall with its 16th-century paintings, fine French furniture, Renaissance bronzes and magnificent Persian carpet. With the click of a mouse, he made the hall spin in every direction. Nine months in the making, the museum's new Web site — [www.frick.org](http://www.frick.org) — offers the usual menu of practical information but also includes a virtual-reality tour.

"We've had hits from all over," Sachs said. "Four-thousand people in the first two days pulled up the Web site from countries like Australia, New Zealand and Scandinavia."

A year ago, Sachs, 62, left the financially troubled Detroit Institute of Art, where he had been director for 12 years, to become director of the Frick. Slowly, with judicious infusions of technology and a good deal of patience, Sachs is trying to transform one of the most famously old-fashioned institutions in Manhattan into one that is more user-friendly. Some of his ideas, like the Web site and a multilingual digital Acoustiguide, are coming to fruition. He knows that other ideas — expanding exhibition space, extending hours, opening a café and even relocating the entrance — may be a bit ambitious for what has long been viewed as a place where nothing changes.

Since it opened to the public in 1935, the limestone mansion at One E. 70th Street built for Henry Clay Frick, the Pittsburgh coal and steel industrialist, quickly became one of the city's most popular attractions among dedicated art lovers, with attendance of more than 250,000 a year.

The last gasp of America's Gilded Age in the heart of the Upper East Side, the Frick offers an intimate look into

what was once a grand home. Its artwork and objects from the 14th to the 19th centuries — fine French furniture of the 18th century, bronzes, Chinese porcelains and Limoges enamels — are arranged as though the Fricks still lived there. The walls are lined with Holbeins, Vermeers, Rembrandts, Turners, Gainsboroughs and Van Dycks, and rooms are filled with Brachnors and Fragonards.

Sachs refers to his mission as one of "fine tuning" rather than making major changes. The Frick, as he well knows, is to make the museum more dynamic without ruining what people love about it.

When Frick died in 1919, he left his home and art collection to a board of trustees with instructions that they become a study center for art and related subjects. The institution has a large endowment for its size, more than \$200 million, but little space to mount temporary exhibitions. It also has a notoriously guarded nine-member board, run by Henry Clay Frick 2d, Frick's grandson, and several other family members.

While many museums are courting the newly rich to become members of expanded boards, the Frick has kept its



Visitors to the Frick Museum in New York using digital Acoustiguides.

board at its original size, giving the impression that it is a private club. Some supporters say privately that they fear any changes will ruin the Frick's special character; others say the Frick needs to keep up with the times.

The Frick has reached out to a growing group of younger supporters. "There are lots of people who love the Frick," Sachs said. "But they don't think they'd be welcome here. I want to make this a more welcoming place, not mess it up."

## COUNTDOWN By Charles Deber

ACROSS	DOWN	ACROSS	DOWN
1 God "the most merciful"	77 Like a wayward	5 Sellers of record players	6 Brownish
8 Bird of myth	78 Nautical passageway	7 Sugar ending	8 Feature of classical architecture
9 Slanted Abbr.	80 Bustles	9 Kind of artery	10 Bomb
10 Blacksmith's tools	82 Mouths	11 "Crazy Love"	12 Song syllables
11 Show presenter, for short	83 "From here to Eternity" wife	13 Vases of a "La Bohème" character	14 "— radical"
12 Pioneer Russian spacecraft series	85 Oil driller's setup	15 Fast shuffle, so to speak	16 Switch with base
13 Lawn game	86 On again	17 Very beginning	21 Item that's often stubbed
14 Sight off the coast of Salerno	88 Sing like Bing	18 "No P.C. stuff"	22 Not a good person with secrets
15 Bug	90 Noe-P.C. suffix	19 Express	23 Composer Saint
16 Be creative	91 Institution since 1701	20 Nearest and police officers, e.g.	24 "— long..."
17 Expo '70 host	92 Close and Ford	21 Item that's often stubbed	25 Representation
18 Saw red	93 Neighbors of Ethiopians	22 Not a good person with secrets	26 Writer Welby
19 Last-minute ticket acquirer, maybe	100 Enemies of the Trojans	23 Composer Saint	27 Roundish
20 "Well done!"	101 Consider, with "over"	24 "— long..."	28 Forehead feature
21 Certain annuity plan	103 Kind of set	25 Representation	29 Source of an omen, maybe
22 1998, e.g., in fancy language	107 Place to go with a flashlight	26 Writer Welby	30 Zoom
23 Piglike animals	110 He coached 347 N.F.L. wins	27 Roundish	31 Drury Lane composer of the 1700s
24 Cleveland team, for short	111 Menu section	28 Forehead feature	32 The Panthers of the Big East Conference
25 Minneapolis-to-Fargo hwy.	112 Like our numbers	29 Source of an omen, maybe	33 Success for a returning space shuttle
26 Man, in old Rome	113 Apocalypse	30 Zoom	34 "Do you—?"
27 Rock's old friend and Carmen	114 1773 Tea Party, e.g.	31 Drury Lane composer of the 1700s	35 Target of many a wound
28 Transit via computer	115 Survey respondent	32 The Panthers of the Big East Conference	36 Not streamlined
29 Seventh-century date	117 Let go of	33 Success for a returning space shuttle	37 Parts of 89-Dows
30 Worker —	118 TV actress	34 "Do you—?"	38 Catlike
31 Math ratio	120 Jack's choice	35 Target of many a wound	39 Tidy model
32 Orchestra member	121 Sushi supplies	36 Not streamlined	40 Casey of County General Hospital
33 Gulf of — (arm of the Baltic)	122 Poetic proposition	37 Parts of 89-Dows	41 Vintner's cache
34 No longer in enemy hands	123 Seconds Abbr.	38 Catlike	42 Dory feature
35 Heather lands	DOWN	39 Tidy model	
36 Footnote word	1 Collect	40 Casey of County General Hospital	
37 A new look at an 18th-century English writer	2 "12 Angry Men" director		
38 Fabric with nubby yarn	3 Pack animal		
39 First name in stand-up	4 Monopoly		
	5 Avenue next to the B.O. Railroad		

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Solution to Puzzle of Sept. 12-13

ACROSS  
1. God "the most merciful"  
8. Bird of myth  
9. Slanted Abbr.  
10. Blacksmith's tools  
11. Show presenter, for short  
12. Pioneer Russian spacecraft series  
13. Lawn game  
14. Sight off the coast of Salerno  
15. Bug  
16. Be creative  
17. Expo '70 host  
18. Saw red  
19. Last-minute ticket acquirer, maybe  
20. "Well done!"  
21. Certain annuity plan  
22. 1998, e.g., in fancy language  
23. Piglike animals  
24. Cleveland team, for short  
25. Minneapolis-to-Fargo hwy.  
26. Man, in old Rome  
27. Rock's old friend and Carmen  
28. Transit via computer  
29. Seventh-century date  
30. Worker —  
31. Math ratio  
32. Orchestra member  
33. Gulf of — (arm of the Baltic)  
34. No longer in enemy hands  
35. Heather lands  
36. Footnote word  
37. A new look at an 18th-century English writer  
38. Fabric with nubby yarn  
39. First name in stand-up

DOWN  
77. Like a wayward  
78. Nautical passageway  
80. Bustles  
82. Mouths  
83. "From here to Eternity" wife  
85. Oil driller's setup  
86. On again  
88. Sing like Bing  
90. Noe-P.C. suffix  
91. Institution since 1701  
92. Close and Ford  
93. Neighbors of Ethiopians  
100. Enemies of the Trojans  
101. Consider, with "over"  
103. Kind of set  
107. Place to go with a flashlight  
110. He coached 347 N.F.L. wins  
111. Menu section  
112. Like our numbers  
113. Apocalypse  
114. 1773 Tea Party, e.g.  
115. Survey respondent  
117. Let go of  
118. TV actress  
120. Jack's choice  
121. Sushi supplies  
122. Poetic proposition  
123. Seconds Abbr.

ACROSS  
5. Sellers of record players  
6. Brownish  
7. Sugar ending  
8. Feature of classical architecture  
9. Kind of artery  
10. Bomb  
11. "Crazy Love"  
12. Song syllables  
13. Vases of a "La Bohème" character  
14. "— radical"  
15. Fast shuffle, so to speak  
16. Switch with base  
17. Very beginning  
21. Item that's often stubbed  
22. Not a good person with secrets  
23. Composer Saint  
24. "— long..."  
25. Representation  
26. Writer Welby  
27. Roundish  
28. Forehead feature  
29. Source of an omen, maybe  
30. Zoom  
31. Drury Lane composer of the 1700s  
32. The Panthers of the Big East Conference  
33. Success for a returning space shuttle  
34. "Do you—?"  
35. Target of many a wound  
36. Not streamlined  
37. Parts of 89-Dows  
38. Catlike  
39. Tidy model  
40. Casey of County General Hospital  
41. Vintner's cache  
42. Dory feature

## STOP PRESS

Tim Heald, 280 pages. £9.99.  
Weidenfeld & Nicolson.Reviewed by  
Philip Bowring

IT takes a good, old-fashioned British journalist, or any visiting foreigner, to recognize how truly awful the British press has become. Once-quality broadsheets offer much the same sensationalist sex, royalty and food-scandale fare as the notorious tabloids. Personalities, not is-

sues, rule editorial judgments, accuracy is optional and comment preferred to news. Parochialism is taken for granted and journalism generally preferred as the formula makes money.

That at any rate is the thesis of Time Heald's fictional account of the post-Fleet Street London press scene. Journalist, biographer of sportsmen and royalty, crime fiction writer, Heald has been mostly viewed as an elegant, amiable but undemanding all-purpose author. But with "Stop Press" he has worked himself up into a satirical rage against a world he knows all too well.

The plot centers on the reporting of a sexual relationship between the prime minister and his (male) private secretary. Leading the pursuing bloodhounds are the

tabloid Noise and the broadsheet Conscience, organs of a proprietor known as Chinese Ken, who made his money in Hong Kong but otherwise has characteristics in common with Rupert Murdoch. His main rival is the Intelligence, controlled by the octogenarian Lady Beatrice.

The hero, for want of a better word, is the axed literary editor of the Conscience who reinvents himself as a media consultant and creates the circumstances for the story's move from London to Surgo, a Caribbean island cross between Cuba and Haiti.

Heald never quite reaches the heights of satirical absurdity of Evelyn Waugh's "Scoop" with its Daily Beast and filling by cleft stick. Nor do his proprietors have the megalomania to make them into men of Citizen Kane proportions. But the demone-

ment, with a motley crew of British hacks, their bisexual prime minister, a Greek billionaire and a women's rugby team holed up in Surgo during a revolution is very funny. And his characterization of journalists, proprietors and politicians is close enough to be disturbing.

A "Scoop"-style brevity would have helped. Some readers may tire at the descriptions, accurate enough as they are, of the transition of rough but semi-honest old Fleet Street to the new age of Wapping, bean-counter management and journalistic nihilism. But Heald succeeds in making his righteous anger at the press and proprietors he has served as entertaining as it is instructive.

International Herald Tribune

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Art Guide



# ART IN MONACO: THE COLLECTIONS

## PONDERING VISIONS OF SACRED BEAUTY

The Chapelle de la Visitation houses an important collection of religious art.

A chapel is usually a place for prayer and meditation. La Chapelle de la Visitation, a 17th-century chapel perched on the rocks above the port of Monaco, however, has become a place for meditation with a more artistic bent.

Since 1995, the church has housed 20 important works from the collection of sacred art of Barbara Piasecka Johnson, a Monaco resident and one of the world's most respected art collectors.

### Divine inspiration

Mrs. Johnson has been drawn to sacred art because, she explains, "I feel that some of the greatest masterpieces have been created thanks to powerful religious inspiration. Religion evokes great emotions in artists and normal people alike."

Her collection cannot help but inspire emotion, drawn as it is from artists such as Peter Paul Rubens, Alessandro Algardi, Josepe de Ribera and Carlo Bononi.

The baroque setting of the chapel is equally moving, with its lavish and luminous interior.

The Principality of Monaco transformed it from a school chapel into a location with museum standards — including the required climatic and security fittings — in only six months.

When Barbara Piasecka Johnson approached the government with the offer to loan her collection, it was Prince Rainier who personally suggested the chapel as its repository.

"I wholeheartedly embraced the idea," says Ms. Johnson. "What could be more fitting? Religious art

presented inside an extraordinarily beautiful sacred building."

She had turned to the principality because of "its very rich social and cultural life. It was only natural for me to share part of my collection with the people who have accepted me as one of their own," she explains. She is grateful to Prince Rainier and Prince Albert for their enthusiasm in receiving her collection.

### Vermeer on show

In addition to the 20 "permanent" works on loan until 2005, every year a different masterpiece is temporarily put on display.

This year, the work of art is "Saint Praxedis," an atypical early painting by Johannes Vermeer, the 17th-century Dutch painter often ranked among the greatest masters of Western art. It is being shown alongside the work upon which it is based, by Felice Fischerelli.

"Saint Praxedis" is "a difficult painting," admits Ms. Johnson, who has a master's degree in art history from the University of Wrocław in her native Poland and also studied art history in Rome. "But it is strikingly beautiful and well reflects the spiritual life of Vermeer." It is also the only Vermeer in a private collection; all others belong to museums.

Rainier Rocchi, Monaco's director of cultural affairs, points out that the museum plays a significant role in the artistic life of the principality. Every year, in connection with the featured work on display, an expert is invited to prepare a scholarly discussion of its history and importance. This monograph is



available to the art community attending the opening presentation.

Arthur Wheelock, Jr., a noted Vermeer expert, wrote the monograph for "Saint Praxedis."

For 1999, Mr. Rocchi hopes that a Caravaggio may be on offer. Caravaggio is Ms. Johnson's favorite artist from the Baroque period, and the Italian Baroque is her preferred period of art history, so the prospects are worthy of meditation. ●

## A SMALL WORLD'S INTRICATE CHARMS

The National Museum's doll and automaton collection is not just for children.

That a doll-sized country like Monaco (with a total area of 0.9 square miles) should feature doll-sized figures in its national museum may seem sweetly logical. And the museum's collection of more than 400 18th- and 19th-century dolls, 80 automata from the 19th century and 2,000 Lilliputian objects is today considered one of the most beautiful in the world by collectors, experts and historians of the period.

But when Monaco's National Museum opened its doors in 1972, the idea of displaying dolls as objects of cultural and artistic interest was "quite avant garde, especially in the francophone world," says Annette Boreau, secretary general of the National Museum.

Madame de Galéa, a patron of the arts who died in 1956, had left an impressive array of dolls and related objects, which her grandson offered to the principality. Prince Rainier took the gamble of creating a museum for them and chose a villa designed by Charles Garnier (architect of the Monte Carlo Casino and the Paris Opera House) to display the collection.

Villa Sauber's 19th-century architecture provides an appropriate setting for its unusual occupants. The gardens, with their 1,500 rose bushes and outdoor sculptures, add to the atmosphere.

"Madame Galéa had a collection 'de charme,'" notes Ms. Boreau. "She was not a purist; she collected for her own pleasure." Included are engaging groupings of miniature furniture, tea sets, musical instruments, iron, even rows of little socks that serve to illuminate the era they represent.

Madame Galéa loved fashion, and collected couture clothing all her life. The dolls began as an offshoot of this interest; she collected adult doll figures for their costumes. "You will note that there is only one child's figure in the entire collection, and no babies," points out Ms. Boreau.

About 45,000 visitors tour the museum every year, but only one-fourth of them are children. "This is really more a museum for adults," admits Ms. Boreau.

Nevertheless, during the daily scheduled periods when the automata are wound and set in motion, both adults and children ooh and aah. The animated figures, which Madame Galéa collected at a later point in her life, illustrate the late 19th-century aristocracy's fascination with the circus, exotic themes and monkeys practicing human pursuits (playing instruments, smoking, etc.).

Because of the delicacy of some of these figures, the National Museum has created duplicates of some of them to perform for the daily "shows." The snake charmer, for example, is one of only 12 such automata in the world, and connoisseurs consider it extremely valuable. Given the artistry of the restorers, costumers, painters and technicians involved, even experts would be hard-pressed to distinguish the copies from the originals.

A series of dolls sporting clothes and coiffures originally worn by Princess Grace — and recreated by her couturier and hairdresser — is another popular feature of the museum. So is a lavish 18th-century Nativity scene with ornate Neapolitan figures.

Young girls may gravitate to the Barbie dolls on display; they were the playthings of Princess Caroline and Princess Stephanie when they were children.

This year, a special exhibit called Dolls of Japan will be on display through the end of September. ●

## BRINGING ART TO THE PUBLIC

Contemporary sculpture enriches parks and plazas.

The purity of Riviera sunshine has long attracted artists to the Côte d'Azur. It is a tradition that Prince Rainier of Monaco wants to perpetuate in the principality.

Although 4 percent of Monaco's budget is spent on art and culture (a high percentage, points out Rainier Rocchi, Monaco's director of cultural affairs), most of this money has traditionally been allocated to the performing arts, such as its world-renowned ballet company, orchestra and dance academy.

Art in green spaces Under Prince Rainier, the visual arts are receiving greater attention. Today, visitors to Monaco can enjoy sculptures by artists such as Fernando Botero and Henry Moore in many of the open spaces of the principality.

The state has acquired more than 60 contemporary sculptures to enrich its parks and seaside plazas. A specially produced guidebook maps out their locations for tourists. This collection was begun in 1987, coinciding with the first Biennale of Sculpture organized in the principality.

"This was the first show of contemporary art in Monaco, and it is a prestigious event drawing international artists," explains Mr. Rocchi. "From the people who write us, from comments we hear, we know that visitors are surprised and delighted to see contemporary art in this context."

The Biennale for 1997-98 has attracted 40 artists from 17 countries displaying 71 works of art. Fifty sculptures are displayed in the Place du Casino, the heart of Monte Carlo, most of them from the Biennale but some part of the principality's permanent collection.

A separate initiative in the realm of modern art in Monaco celebrated its 32nd edition in 1988. It is the Prix International d'Art Contemporain de Monte Carlo, and includes paintings as well as sculpture. A subsidy from the Prince Pierre of Monaco Foundation ensures the participation of some 20 artists under the age of 40 from countries on every continent. They vie for prizes worth up to 100,000 French francs (\$17,500).

Made in Monaco Some of the artists whose works are on display in Monaco's open spaces and who serve as judges for the Prix International have decided to locate their art studios in the principality. Eight ateliers on the west side of Port Hercule have been made available at low rents to meritorious artists. Botero, Jean-Michel Folon and Valerio Adami are among the sculptors and painters who are now creating works "Made in Monaco" as a result of this initiative. "All the ateliers are occupied," reports Mr. Rocchi, "and we are hoping to open them to the public next year during National Heritage Day." ●

## FREE ACCESS TO A RICH CULTURAL HERITAGE

On Oct. 4, all of Monaco's museums (with the exception of the Oceanographic Museum) and many sites of historical or architectural interest will be open to the public free of charge. The day marks Monaco's participation in the Journée Européenne du Patrimoine, a Europe-wide event celebrating the Continent's cultural heritage, country by country.

Last year, more than 40,000 people visited 24 museums and sites in the principality, plus four nearby locations in Menton, France and Ventimiglia, Italy, with ties to Monegasque history. Free buses shuttled visitors among the various locations.

"A unique feature of this event is the opening of a number of places rarely accessible to the casual tourist," notes Rainier Rocchi, Monaco's director of cultural affairs. He cites the Salle Garnier (home of the Monaco Ballet) and the Casino, City Hall and the Palace of Justice, all of which include guided tours to explain the historic and artistic importance of each venue.

A booklet describing all the participating locations, with opening hours, the bus schedule and a map of the principality, is available through the Monaco Office of Tourism (tel.: 377 92 166166).

## HISTORY RECOUNTED BY ARTFUL OBJECTS

Cars, stamps and coins, and model boats are exhibited at the Terrasses de Fontvieille.

Three of the most obvious associations with the Principality of Monaco are cars (the Monte Carlo Grand Prix), stamps (they are well-known collectors' items) and the sea (the tiny country's Mediterranean location).

All have been brought to life as permanent museums, clustered near each other in a building of recent construction overlooking the Port de Fontvieille.

### The prince's cars

One of them can truly be considered a "princely collection," as it encompasses Prince Rainier's private collection of automobiles, amassed over a period of 30 years.

At the exhibition's opening in 1993, Prince Rainier observed, "This isn't an automobile museum but a personal collection of vin-

tage cars from every age and country. Commonplace or exceptional, they are representative of their time, and I like them."

One hundred vehicles are displayed in a specially designed five-level hall. Some were gifts to the prince; others he acquired after falling in love at first sight. The oldest car in the collection (and the first purchased by the prince) is a De Dion Bouton 1903.

A number of cars recall the history of World War II, others the famed fantasies of 1950s America. Rolls-Royces, Maseratis, Jaguars, Lamborghinis and Mercedes are also present, befitting the principality's reputation for luxury.

The autos constituting the "Collection des Voitures Anciennes de S.A.S. le Prince de Monaco" are not displayed in chronological order, but together they rep-

resent a passage through automotive history.

### Philatelists' choice

History of another sort can be traced through the exhibits of Monaco's Coin and Stamp Museum. The state-owned collection consists of two display areas: a large exhibition hall and the hall of rare stamps. The former presents Monaco's coinage and bills, and its stamps, dating from 1835 to the present.

Currently on exhibit is a display of all the stamps circulated under the reign of Prince Rainier, as well as all the color proofs and plates used to produce them. Also displayed is a printing press used to produce Monaco's stamps for more than 50 years, a hand press used by invited artists to make stamp proofs for visitors, and a variety of plates for stamps and coins.

The rare-stamp collection

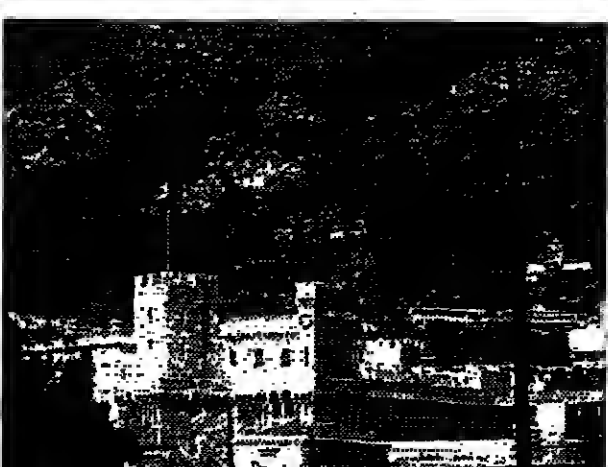
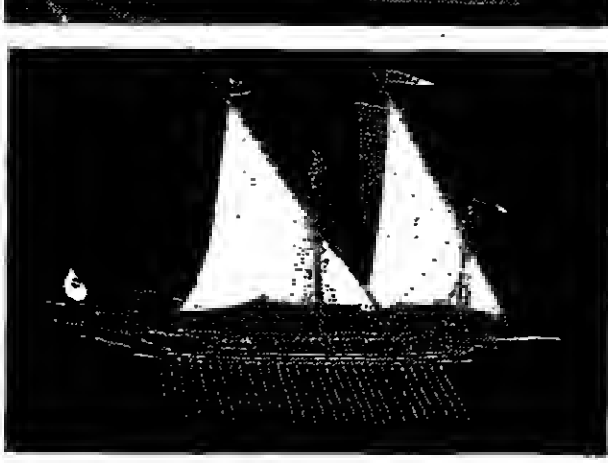
was begun by an English pastor, Reverend G.G. Barbier, at the end of the 19th century. Notable in his collection were Sardinian stamps dating from before 1860. When the pastor died, Prince Albert I received the collection, and subsequent monarchs have added to it.

The museum opened in 1996, after careful study of the problems involved in displaying delicate stamps. It makes use of the most modern techniques of lighting and climatic control, including fiber optics that avoid overheating the documents and provide excellent color resolution.

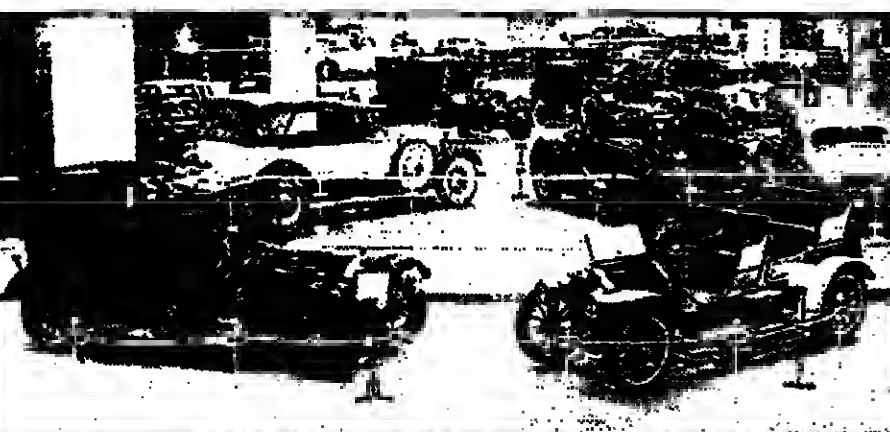
Sailing through the ages Delicacy of another sort can be found in the Naval Museum, opened in 1993. Two hundred model ships, along with objects reflecting naval history over the ages, are exhibited, some recreating the delicate rigging of clipper ships, others the details of Roman warships.

The majority of models in the 600 square meter museum are drawn from the private collection of Monaco resident Claude Pallanca. Others belong to Prince Rainier, whose contributions enriched the collection considerably.

Models include first-century Mediterranean boats; the Pinta, Nina and Santa Maria of Christopher Columbus; the Titanic; and examples of World War I and World War II warships, including a five-meter version of the aircraft carrier Nimitz. ●



From the top: Vermeer's "Saint Praxedis," which is displayed in the Chapelle de la Visitation (pictured immediately below); an automaton in the National Museum; a model in the Naval Museum; the Palais Princier.



Prince Rainier's collection of vintage cars.

"ART IN MONACO: THE COLLECTIONS" was produced in its entirety by the Advertising Department of the International Herald Tribune. It was sponsored by the Centre de Presse Monaco. WRITER: Claudia Fisi in Monaco. PROGRAM DIRECTOR: Bill Mahler.

Shell Says Pro  
Will Fall Shor  
Difficult Trading Environ  
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MONACO  
The principality of Monaco is a small country with a large cultural heritage. It is a unique blend of history and modernity, offering visitors a rich and diverse experience. The National Museum, located in the heart of the principality, houses a collection of over 400 dolls and 2,000 automata, which are displayed in a series of exhibitions. The collection is one of the most beautiful in the world, and it is a testament to the artistry and craftsmanship of the 18th and 19th centuries. The museum is open to the public every day, and it is a must-visit for anyone interested in art and history. The gardens of the museum are also a beautiful sight, with their 1,500 rose bushes and outdoor sculptures. The gardens are a perfect place to relax and enjoy the view of the principality. The National Museum is a true gem of Monaco, and it is a must-visit for anyone who wants to experience the rich cultural heritage of the principality.

## ECONOMIC SCENE

## U.S. Capital Spe

WASHINGTON  
The U.S. capital scene is a busy one, with many important events taking place. The U.S. Capitol building is a major landmark, and it is a must-visit for anyone who wants to see the heart of American government. The Capitol is a beautiful building, and it is a testament to the artistry and craftsmanship of the 18th and 19th centuries. The Capitol is open to the public every day, and it is a must-visit for anyone interested in history and architecture. The Capitol is a true gem of Washington, and it is a must-visit for anyone who wants to experience the heart of American government.

## CURRENCY

Currency	Rate
U.S. Dollar	1.00
British Pound	0.65
French Franc	6.55
German Mark	1.36
Italian Lira	2036
Japanese Yen	100
Swiss Franc	1.75
Spanish Peseta	166.64
Portuguese Escudo	200.48
Belgian Franc	6.55
Dutch Guilder	3.60
Austrian Schilling	13.76
Scandinavian Krona	4.76
Irish Punt	0.78
Greek Drachma	340.75
Polish Zloty	5.00
Czech Koruna	100
Slovak Koruna	100
Hungarian Forint	200
Romanian Leu	100
Bulgarian Lev	100
Serbian Dinar	100
Croatian Kuna	100
Slovenian Tolar	100
Yugoslavian Dinar	100
Albanian Lek	100
Moldovan Leu	100
Ukrainian Hryvnia	100
Belarusian Ruble	100
Georgian Lari	100
Armenian Dram	100
Azerbaijani Manat	100
Abkhazian Tetri	100
South Ossetian Tetri	100
Ingush Tetri	100
Dagestan Tetri	100
Chechen Tetri	100
Ingush Tetri	100
Dagestan Tetri	100
Chechen Tetri	100



## Shell Says Profit Will Fall Short

'Difficult Trading Environment' Forces Closure of 4 Main Offices

LONDON — Royal Dutch/Shell Group warned Friday that its second-half profit would fall short of expectations and said it would undertake a restructuring that would include closing four main European offices.

Mark Moody-Stuart, the company's chairman, warned shareholders that "the results in the current and next quarter are expected to reflect a difficult trading environment as we have seen in the last five years."

The statement pushed down the price of shares in Shell—the world's largest publicly traded oil company—in London and Amsterdam.

In London, shares in Shell Transport & Trading fell 18.75 pence to close at 336 (\$5.65), while in Amsterdam, Royal Dutch shares closed at 88.50 guilders (\$46.26), down 4.80.

"I think they were too ambitious with their forecasts," said Wendy Anderson, an analyst at Lehman Brothers. "Shell maintained forecasts when other companies were cutting theirs."

Mr. Moody-Stuart said the company expected oil prices to hold at current low levels for the next two to three years because of the world economic downturn, particularly in Asia.

Warmer-than-normal temperatures in the Northern Hemisphere last winter also cramped demand.

In general, the slowdown that Asia-Pacific has experienced for over a year now seems to be spreading to other parts of the world," Mr. Moody-Stuart said.

He said the low crude prices were squeezing profit margins in Shell's refining and chemical businesses.

The company said it might write down the value of some of its assets this year because of the weak outlook. It also warned that its return on capital employed, a measure of efficiency in making investments, would fall below its May projection of between 12 percent and 12.5 percent.

To cut costs, Shell will close big offices that run its operations in Britain, the Netherlands, France and Germany, leaving employees in smaller, decentralized offices to deal directly with headquarters.

The company will close its national head offices in London, where 2,000 people work; in Rotterdam, where 470 people work; in Hamburg, where 850 people work, and in Frankfurt, where 900 people work.

Shell could not say how many of the jobs would be eliminated, although many of the people will be transferred to other offices.

For example, Shell U.K. announced that it would send 300 of the 2,000 people in the London office to Aberdeen, Scotland, where it runs its North Sea oil operations.

"There will be some job losses, but the number is unclear," said Eric Nickson, a Shell spokesman in London.

The pressure to make cuts in costs is especially acute for Shell, which saw its refining profit fall 10 percent in the second quarter. British Petroleum Co.'s refining profit was down 3 percent in the same period.

(Reuters, Bloomberg, AP)



An elderly woman begging for money Friday outside a foreign exchange office in Moscow.

## Moscow Frees Rubles For Banks to Pay Bills

\$1.65 Billion Aimed at Reviving Activity

By Timothy L. O'Brien  
New York Times Service

MOSCOW — The central bank said Friday that Russia's insolvent banks could use about \$1.65 billion in precious metal reserves to revive the stalled payment system.

The ruble has been gyrating for weeks as banks and the government have manipulated its value against the dollar to make it easier for Russian banks to pay off debts denominated in dollars.

While this provided brief comfort to delinquent banks, it has thrown the finances of Russian citizens into disarray and made it impossible to predict the ruble's daily value. That unpredictability and a lack of cash have led banks to stop processing bill payments and have halted financial activity in the country.

The government's reasoning is that freeing the reserves, which banks typically pledge to the central bank as a nest egg designated to cover bad loans, will ease the payment system and get financial activity moving again.

But the central bank is gambling that it can trust the banks to use the reserves to settle bills. Russian banks, many of which operate more like free-wheeling speculative funds than banks in the Western sense, may instead use the rubles to buy dollars.

That was the case when the International Monetary Fund injected some cash into the central bank a few months ago.

If the banks buy dollars, they will drive the value of the ruble down further and take another bite out of the buying power of rubles held by Russian citizens. Moreover, the central bank said it would print extra rubles to replenish the reserve fund, a move that will be inflationary.

The central bank set its official rate for the weekend at 16.38 rubles to the dollar, weaker than Friday's opening rate of 14.60 to the dollar.

In other signs of crisis, Reuters reported that Norilsk Nickel, one of the world's largest producers of nickel and platinum-group metals, said it was considering staff and production cuts. That sparked a sharp jump in nickel prices on the London Metal Exchange.

The central bank said Thursday that it

would print rubles to buy short-term government bonds, known as G.K.O.s, from banks. Russian banks' G.K.O. holdings are currently worthless, although they were worth about \$8 billion when the ruble was devalued in August.

It was unclear what price tag the government intended to put on essentially worthless bonds, but it said it would also print rubles in an effort to establish enough momentum so that the economy can begin creating real value again.

"This is the first serious step to improve the situation of the Russian banking system," Rossiskiy Kredit's chairman, Dmitri Lyubimov, said in a statement. "We hope the payments which were coming from other banks to our clients will at least be made and our clients will get the money they have been waiting for so long."

Yet the government is not the ideal candidate to be bailing out failing banks because its own finances are in dangerous shape. The government has slightly more than \$12 billion in foreign-exchange reserves, a standard by which its financial wherewithal can be measured.

But about \$5 billion of those reserves is in gold, leaving about \$7 billion in liquid assets that the government can use to prop up the ruble or pay off foreign debt. Foreign debts may total as much as \$200 billion, however, so the government is left with desperately little room to maneuver.

In order to build a lifeline that can pump funds into the central bank, the government also has said that it will nationalize the tobacco and alcohol industries.

Alcohol sales abroad earn Russia a major chunk of hard currency that can be earmarked for government use, while control of the tobacco industry gives the government access to a steady stream of rubles. While many analysts raised serious doubts about the viability of the government's recent initiatives, others said it could ease some of the ruble's problems.

## Soon, Starbucks in Tea-Sipping China

The Associated Press

BEIJING — Starbucks will open its first coffee stores in China next year and plans to open 500 stores in Asia by 2003.

Starbucks representatives signed a licensing agreement Friday with Beijing Mei Da Coffee Co. to open retail locations in Beijing. Starbucks currently has 65 stores in Asia, about half of them in Japan.

Mei Da is a 50-50 joint venture between state-backed Beijing General Corp. of Agriculture, Industry & Commerce and Borderless Investment Corp., a Seattle-based venture capital company.

Lawrence Maltz, president of Borderless and a former executive at Starbucks, said the first store was set to open in Beijing in early 1999.

Although China is a nation of tea drinkers, Starbucks will offer the same product line of lattes, espressos and other coffee drinks, as well as tea, that it does elsewhere, Mr. Maltz said.

"It would be foolish for us to wait until coffee was well entrenched in China," he said. "We are prepared to take the time and to make the investments necessary."

Starbucks Coffee International, a subsidiary of Seattle-based Starbucks Coffee Co., has opened shops in Japan, Singapore, the Philippines, Taiwan, Thailand and the United Kingdom.

The company's shares closed at \$30.0625, up 87.5 cents, on the Nasdaq stock market. But the stock is still down sharply from its high for the year of \$58.125, reached in early July.

## ECONOMIC SCENE

### U.S. Capital Spending Feels the Pinch

By Louis Uchitelle  
New York Times Service

NEW YORK — Having just built one new factory and expanded another, Chrysler Corp. is cutting back on capital investment.

AT&T Corp. also has trimmed its capital spending, but for a different reason: It purchased an existing phone network, rather than spending money to build a new one.

And Motorola Inc., its sales hurt by the Asian crisis, is postponing investments in new factories and machinery, even going so far as to halt construction of a \$3 billion semiconductor plant in Virginia.

Capital spending, a pillar of strong U.S. economic growth the last three years, is beginning to fade. First falling exports, then falling stock prices and now a slowdown in capital spending are chipping away at the vigorous economy, watering down growth in the second half of the year.

But despite these hits, the economy appears to be strong enough to stay out of recession for now, thanks to robust consumer spending.

"The economy is not falling apart," said David Wyss, chief economist at Standard & Poor's DRI, a data-gathering and consulting operation.

"What you are seeing is some evidence of a weakening in capital spending, partly in response to Asia and partly because, in most industries, we have already added as many new facilities as we are likely to need for a while."

Capital spending is the investment that companies and individuals make in machinery, equipment and buildings to operate their businesses and make them more efficient. The cumulative result is a more vigorous and productive economy. In the 1990s, robust capital spending has been a huge contributor to the U.S. economy's overall growth, accounting for 25 percent of the total expansion in output

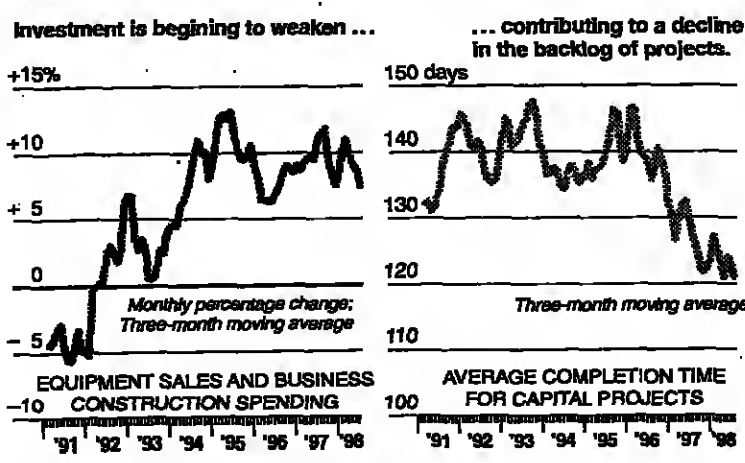
in this decade—substantially more than in either the 1970s or the 1980s.

While the fall-off in sales to Asia has played a significant role in discouraging capital spending, a bigger obstacle—one only partly a result of the Asian downturn—appears to be overcapacity. In interviews with officials at 15 U.S. cor-

See SPEND, Page 12

### Companies Scale Back Investments

Capital investment, one of the pillars of economic growth in the 1990s, is starting to fade, contributing to a slowdown in the American economy.



Sources: Chesapeake Shared Services; Census Bureau

## CURRENCY & INTEREST RATES

### Cross Rates

	Sept. 18	Sept. 19	Sept. 20
Amsterdam	1.50	1.51	1.52
Berlin	1.50	1.51	1.52
Frankfurt	1.50	1.51	1.52
London (U.S.)	1.50	1.51	1.52
Madrid	1.50	1.51	1.52
Milano	1.50	1.51	1.52
New York (U.S.)	1.50	1.51	1.52
Paris	1.50	1.51	1.52
Porto	1.50	1.51	1.52
Toronto	1.50	1.51	1.52
Zurich	1.50	1.51	1.52
1 ECU	1.50	1.51	1.52
1 SDR	1.50	1.51	1.52

Changes in Amsterdam, London, Milan, Paris and Zurich, changes in other cities: New York and Toronto rates at 4 P.M.

U.S. To buy one pound: To buy one dollar: Units of 100 N.Y. not quoted N.Y. not available.

Source: JPM Bank (Amsterdam); KBC Bank (Brussels); Banca Commerciale Italiana (Milan); Banque de France (Paris); Bank of Tokyo-Mitsubishi (Tokyo); Royal Bank of Canada (Toronto); IMF (SDR). Other data from the Associated Press, Bloomberg and Reuters.

### Libor-Libor Rates

	Sept. 18	Sept. 19	Sept. 20
1-month	5.5%	5.5%	5.5%
3-month	5.5%	5.5%	5.5%
6-month	5.5%	5.5%	5.5%
1-year	5.5%	5.5%	5.5%
2-year	5.5%	5.5%	5.5%
3-year	5.5%	5.5%	5.5%
4-year	5.5%	5.5%	5.5%
5-year	5.5%	5.5%	5.5%
6-year	5.5%	5.5%	5.5%
7-year	5.5%	5.5%	5.5%
8-year	5.5%	5.5%	5.5%
9-year	5.5%	5.5%	5.5%
10-year	5.5%	5.5%	5.5%

Source: Reuters, JPM Bank, Citicorp, Chase, and other banks.

Key Money Rates

United States

Discount rate

Prime rate

1-month T-bill

3-month T-bill

6-month T-bill

1-year T-bill

2-year T-bill

3-year T-bill

PARIBAS SHAREHOLDERS

Net income excluding minority interests of FRF 4.23 billion.

25% growth in net income excluding discontinued activities

Pre-tax income and return on equity per core business line*	1st half 1997	1st half 1998	FRF '98
Investment Banking	3,602	4,594	27%
Asset Management	481	627	32%
Retail Financial Services	984	1,132	25%

Consolidated net income

Net income excluding minority interests and discontinued activities	3,209	4,206	
Net income excluding minority interests	4,222	4,234	

25% growth in revenues and income from all three core business lines

In the first half of 1998, Paribas' revenues increased by a substantial 25%. Net income excluding minority interests amounted to FRF 4.23 billion. This figure includes a provision of FRF 2 billion retained on 31 August to cover the bank's exposure in Asia and Russia.

Investment Banking: pre-tax income increased by 28% thanks to growth in customer activities and to the fine performance of Paribas Principal Investments.

Asset Management: pre-tax income grew by 30% thanks to increased savings inflows and to the development of international activities.

Retail Financial Services: pre-tax income rose by 16% thanks to increased new loan production, maintained margins and the signature of new partnership agreements.

Paribas has the means to achieve its ambitions

The merger of Compagnie Financière de Paribas, Compagnie Bancaire and Banque Paribas into a single entity "Paribas" is now effective. This operation has made it possible to streamline the Group's structures, to cut costs and to speed up the international development of the bank's specialized subsidiaries.

Paribas' corporate strategy is geared to creating value for its shareholders on a permanent basis by focusing on activities and markets offering high potential in terms of profitability and future growth.

This strategy, founded on specialization and partnerships as well as Paribas' new corporate structure reinforce the Bank's financial strength, its potential for future growth and its ability to withstand the upheavals of the economic environment.

Paribas, the leading euro bank.

Earnings per share FRF 27.3 for the first half of the year

15% return on equity on an annual basis.

Stockholders' equity (excluding minority interests) FRF 56.7 billion

Tier One Cooke Ratio 8.1%

PARIBAS

PARIBAS INVESTOR RELATIONS  
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## THE AMERICAS

## Stocks Rise as Investors Look for Safety

Compiled by Our Staff From Dispatches

**NEW YORK** — Stocks rose Friday as gains in telephone, tobacco and beverage shares offset declines in companies whose fortunes depend on a growing economy.

"There is a move to security and safety," said David Bayer, portfolio manager with Knappenberg Bayer Management Inc., based in Minneapolis. "People still have to make phone calls."

The Dow Jones industrial average finished 21.89 points higher at 7,895.66, while the Standard & Poor's 500 index rose 1.22 points to 1,020.09.

Gaining issues outnumbered losing ones by a 3-to-2 ratio on the New York Stock Exchange, and the Nasdaq composite added 17.52 points, to 1,663.77.

Telephone companies, which tend to pay higher-than-average dividends, rose. AT&T rose 19/16 to 59,

and Ameritech rose 19/16 to 49 1/4. The expiration of futures and options contracts on stock indexes and on individual stocks made trading volatile.

Investors are still wary about the impact of weakening world economies on U.S. corporate profits, making stocks susceptible to profit warnings. Gillette and others warned this week that slumping economies overseas were hurting profits.

"Earnings are far more at risk than people thought, and Gillette is a poster child for that," said Ted Bridges, a money manager at Bridges Investment Counsel Inc. "If people can't afford a razor, then things aren't really bad."

Gillette ended down 5/16 at 36 1/16 and declined more than 15 percent in the week.

The profit worries also are causing many investors to move money

into the relative safety of the U.S. Treasury bond market.

The price of the benchmark 30-year bond rose 15/32 point, to 105 10/32, sending the yield down to

## U.S. STOCKS

5.15 percent from 5.18 percent Thursday. The yield has fallen about 90 basis points since April.

Bond prices got a lift from the decision by the House of Representatives' Judiciary Committee to release the videotape of President Bill Clinton's grand jury testimony on his relationship with Monica Lewinsky, a former White House intern.

"There's still some political instability," said Joel Kent, economist at Lehman Brothers. "It's a reminder that this thing's not done."

Among active stocks, Kylan fell 2 1/4 to 10 1/4 on concern that third-

quarter profit at the computer-networking company would be hurt by slower sales to large distributors.

Platinum Software, which makes financial-management software, lost 4 13/16 to 8, also on worries about its profit prospects.

Oil stocks fell after Royal Dutch/Shell warned it would miss analysts' earnings expectations. The Anglo-Dutch company's American subsidiary reported last 11/16 to 46 3/16.

"It's bringing home to investors that these are tough times to operate an oil company," said Robin Younger, chief equity strategist at Henry Cooke Ltd.

Spaghetti Warehouse rose 1 1/4 to 7 1/4 after the restaurant chain said it would be acquired for about \$60 million by Consolidated Restaurant, a unit of the investment concern Cracker, Harley, Street & Hart-

nett. (Bloomberg, Reuters, AP)

## Yen Falls Amid Skepticism About Japan's Bank Plan

Bloomberg News

**NEW YORK** — The dollar rose against the yen Friday amid speculation that a plan to reform Japan's banking system would not revive the Japanese economy soon.

Japanese leaders agreed on a plan aimed at restoring health to the country's banking system that calls for taking over some of the country's weakest large banks, closing smaller institutions and injecting billions of dollars into the banks to dispose of bad loans.

Analysts said these were steps in the right direction but that they might not have a rapid enough impact on the

## FOREIGN EXCHANGE

economy to lure traders to the yen right away.

"While this is good news, the outlook for Japan is still negative," said Mark Parry, a bond manager at Hill Samuel Asset Management in London. "The Japanese economy is not going to change direction.

We've had a negative view on the yen for some time."

Japan is in its worst recession in five decades, in part because its banking industry is saddled with at least 77 trillion yen (\$82.76 billion) in problem loans.

The dollar rose to 132.63 yen in 4 P.M. trading from 132.13 yen Thursday.

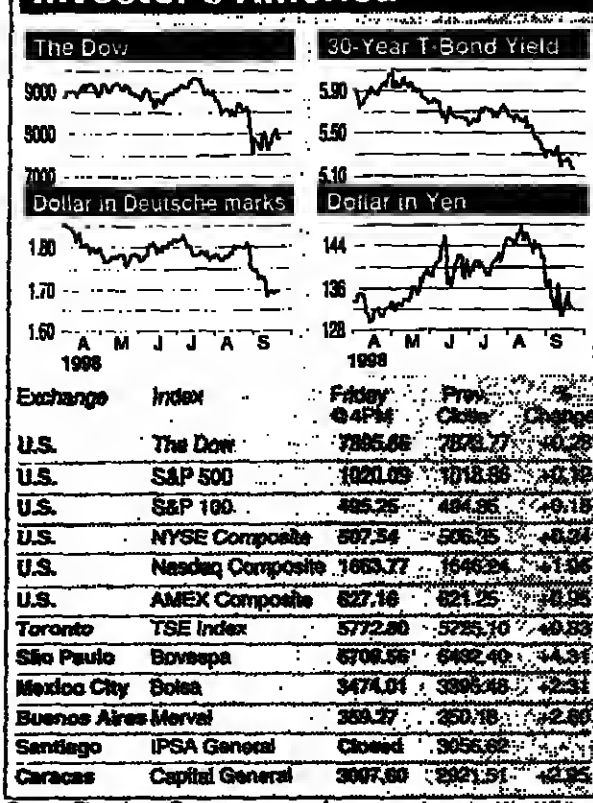
But the dollar slipped against most major European currencies amid speculation the U.S. Federal Reserve Board might cut interest

rates before the German central bank does, undercutting the dollar's allure compared with the mark.

The dollar fell to 1.6950 Deutsche marks from 1.6965 DM on Thursday and to 5.6845 French francs from 5.6888 francs, though it rose to 1.3943 Swiss francs from 1.3915 francs. The pound rose to \$1.6820 from \$1.6813.

The Bundesbank's president, Hans Tietmeyer, suggested recently that Germany will not lower its borrowing costs soon.

## Investor's America



## Very briefly:

- Micron Technology Inc. raised prices on memory chips for the first time in three years amid increased demand and tightening supply. Contract prices for 64-megabit memory have risen to more than \$8 from \$7.60 a few weeks ago.
- Citigroup, the bank and financial services company that will be formed from the planned merger of Citicorp and Travelers Group Inc., could lay off as many as 8,000 employees, or about 5 percent of its work force, by the end of the year, a company spokesman said.
- Academy Life Insurance Co., a seller of life insurance to military personnel, has been barred from U.S. defense installations after the Pentagon accused the insurer of deceptive practices by using its close relationship with the Non-Commissioned Officers Association to push policies on troops.
- Nike Inc., the sportswear giant, reported first quarter net earnings of \$163.8 million, a 35 percent decrease from the \$253.1 million earned in the same period last year.
- Sumitomo Corp. has reached a tentative agreement to pay \$42.5 million to settle two remaining class action suits stemming from actions by Yasuo Hamaoka, a rogue copper trader.

## The Trib Index

Jan. 1, 1992 = 100	Level	Change	% Change	Year to date
World Index	169.24	-1.01	-0.59	-1.67
Regional Indexes				
Asia-Pacific	71.67	-0.71	-0.98	-25.40
Europe	201.01	-2.82	-1.38	+4.13
N. America	231.70	+0.57	+0.25	+7.27
S. America	87.36	+2.71	+3.20	-42.78
Industrial Indexes				
Capital goods	227.03	-0.52	-0.23	+9.90
Consumer goods	211.74	-0.74	-0.35	+0.96
Energy	196.80	-3.11	-1.54	-4.19
Finance	110.54	-1.18	-1.06	-10.10
Miscellaneous	137.63	-0.44	-0.32	-8.17
Raw Materials	161.07	-1.09	-0.67	-3.89
Services	186.76	-0.43	-0.23	+7.14
Utilities	159.24	+0.16	+0.10	-4.57

The International Herald Tribune World Stock Index tracks the U.S. dollar value of 250 internationally investible stocks from 25 countries. Compiled by Bloomberg News.

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Italy 1800-841-0102 Italy 1578-7828 Japan 00331-41-6909  
Luxembourg 0800-4552 Singapore 800-1202501 Spain 90331-41-6909  
Switzerland 0800-88-7233 USA 800-844-6767 UK 0800-86-0832

## AMEX

## Friday's 4 P.M. Close

The 200 most traded stocks of the day, up to the closing on Wall Street.

The Associated Press

Stock	Symbol	High	Low	Limit	Open
Alcoa	AA	41 1/2	41 1/4	41 1/4	41 1/4
Amgen	AMGN	52 1/2	52 1/4	52 1/4	52 1/4
Amgen	AMGN	52 1/2	52 1/4	52 1/4	52 1/4
Amgen	AMGN	52 1/2	52 1/4	52 1/4	52 1/4
Amgen	AMGN	52 1/2	52 1/4	52 1/4	52 1/4
Amgen	AMGN	52 1/2	52 1/4	52 1/4	52 1/4
Amgen	AMGN	52 1/2	52 1/4	52 1/4	52 1/4
Amgen	AMGN	52 1/2	52 1/4	52 1/4	52 1/4
Amgen	AMGN	52 1/2	52 1/4	52 1/4	52 1/4
Amgen	AMGN	52 1/2	52 1/4	52 1/4	52 1/4

Company	Per	Ann	Rec	Pay	Company	Per	Ann	Rec	Pay
Associated	100	100	100	100	Associated	100	100	100	100
Bank of America	100	100	100	100	Bank of America	100	100	100	100
Bank of America	100	100	100	100	Bank of America	100	100	100	100
Bank of America	100	100	100	100	Bank of America	100	100	100	100
Bank of America	100	100	100	100	Bank of America	100	100	100	100

BA and U.S. Ally  
— A Wider Plan?

The Associated Press

**LONDON** — American Airlines and British Airways have yet to gain regulatory approval of a trans-Atlantic alliance, but they could be on the verge of announcing a global arrangement, reports indicated Friday.

American's chief executive, Don Carly, and his BA counterpart, Bob Ayling, were said to be planning to discuss a "major worldwide" initiative at a news conference Monday. The Australian Associated Press said Cathay Pacific Airways would join with them. A Texas daily said the two might bolster marketing ties with Canadian Airlines International and Qantas.

## SPEND: Slowdown Starts to Pinch U.S. Capital Investment

Continued from Page 11

portations, many said that after having made huge investments in recent years to increase production, they are pausing while sales catch up.

Even without an outside crisis like the one emanating from Asia, corporate America normally goes through cycles of robust capital spending followed by pullbacks. More than seven years into an economic expansion, this appears to be a time for pullback.

"Until we see that more demand is likely to occur, we are not going to go into another cycle of capacity expansion," said Wynn Van Bussan, the chief economist at Chrysler Corp., which recently completed a new engine factory in Detroit and expanded a transmission factory.

"We don't expect sales in North

America to be higher in the next year or two than they already are this year," Mr. Van Bussan said.

Like Chrysler, Levi Strauss & Co. worries about overcapacity. Even after closing 11 factories in the United States in recent months, the company still has the capacity to manufacture more jeans than it can sell domestically. So it is shifting money out of its capital spending budget and into marketing.

Capital spending at Motorola, the communications and electronics giant, has been curtailed by a worldwide downturn in semiconductor sales and falling prices for these computer chips. The downturn is partly a result of recessions in Asia and partly a result of overcapacity in the United States. Whatever the balance of those reasons, Motorola's \$4.5 billion capital spending budget for 1998

much of it earmarked for the United States, has been slashed to \$2.9 billion. Nearly half of the cutback involves semiconductor operations.

The incipient pullback in capital spending is developing rapidly.

After having shot up at an annual rate of 16 percent from January through June, the growth rate for capital outlays will probably shivel to 5 percent or 6 percent in the second half, some forecasters say. That would subtract at least one-quarter of a percentage point from the growth rate for the economy.

Even without the cut in capital spending, economic growth is likely to be under 2 percent, as it was in the second quarter. During that quarter, falling exports and excessive stockpiles of unsold goods led to a slowdown and forced a variety of cut-

## U. S. STOCK MARKET DIARY

Indexes, Most Active

Dow Jones, NYSE, Nasdaq, AMEX

Standard & Poor's

NYSE, Nasdaq, AMEX

NYSE, Nasdaq, AMEX

NYSE, Nasdaq, AMEX

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## INTERNATIONAL FUTURES

Sept. 18, 1998

High Low Limit Open

Grains, Metals, Energy, Currencies

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Accord Set  
On Running  
The Internet

Washington Post Service

WASHINGTON

The company that assigns most of the world's Internet addresses and a University of Southern California research organization have reached an agreement to administer many of the global network's most critical administrative functions.

The deal, announced Thursday after months of contentious negotiations in the Internet community, is a crucial step toward transferring control of the network's administration from the U.S. government to the private sector.

The government said in June that it would cede authority of the Internet to an international consortium led by the private sector — but such a group still had to be formed and had to be approved by the White House.

Under the deal — reached by Network Solutions Inc. and the Internet Assigned Numbers Authority at USC — a non-profit corporation would assume control of administrative functions, including assigning Internet addresses. That task is now handled by Network Solutions, which has an exclusive government contract.

The new corporation eventually would allow other firms to assign addresses and would decide whether to expand the number of "top-level domains," or addresses suffixes such as ".com" and ".org."

Internet analysts said they think the agreement will be supported by other Internet organizations and eventually will be blessed by the White House.

Those involved in Internet-governance issues have long wanted to set up such a corporation, but the dominant players had not been able to agree on details, such as how members would be selected.



## EUROPE

## Shareholders Cast Votes on DaimlerChrysler

Compiled by Our Staff From Dispatches

STUTTGART — Chrysler Corp.'s shareholders quickly approved a \$39.6 billion acquisition by Daimler-Benz AG on Friday, but Daimler-Benz shareholders were still deliberating after more than 10 hours, a sign of the vast cultural gap separating the two.

The meetings foreshadow the challenges for the new company as Daimler, Europe's biggest manufacturer, tries to blend its cautious bureaucracy with Chrysler's fast-moving style. The combined company has great potential if it can meld Daimler's top-notch technology and Chrysler's low-cost manufacturing methods over a global sales base, analysts and management specialists said.

The Daimler-Chrysler deal is the biggest in a wave of mergers and acquisitions sweeping the automot-

ive industry as companies seek cost savings and marketing muscle amid increased global competition.

"If Daimler-Benz doesn't do it, someone else will," said Andreas Hildebrandt, a Daimler-Benz shareholder from Stuttgart, who supports the proposal and said he would trade in his Daimler shares for stock in the proposed DaimlerChrysler AG.

The Daimler meeting in Stuttgart, which started at 10 A.M., drew 13,400 shareholders and lasted well into Friday evening. Daimler's biggest investors, Deutsche Bank AG and the state of Kuwait, which together hold about 34 percent, backed the plan. But many shareholders expressed concern that Daimler would become too "Americanized," with too much emphasis on profit, dividends and executive pay.

Chrysler's meeting in Wilming-

ton, Delaware, drew only 139 shareholders and ended in about two hours with shareholders representing 73 percent of Chrysler's outstanding shares voting to approve the transaction. Most big shareholders had long since voted by proxy.

This is different because it is not a desperate attempt by two weak companies to survive by leaning on each other," Chrysler chairman Robert Eaton said. "This is not a merger to rationalize costs. It's a merger to produce growth. We're not destroying redundancies. We're creating opportunities."

DaimlerChrysler would be, as Chrysler is now, the world's fifth-largest car company. It would have annual production of 4 million cars and trucks, including such strong brands as Mercedes cars and Jeep sport-utility vehicles. The com-

pany would employ 412,000 people and have annual sales of \$130 billion and earnings of \$4.5 billion.

Juergen Schrempp, chief executive of Daimler-Benz, told shareholders Friday that their company was in better shape now than it had been in for years. Operating profit doubled in the first half of 1998, to \$2.26 billion, and revenue projections for 1998 have been raised from \$79 billion to \$83 billion.

But some shareholders are concerned that the Chrysler purchase might dull the image of Daimler's Mercedes brand.

Mr. Eaton assured shareholders that both companies would continue to emphasize their respective identities. "The proud heritage of Chrysler won't be lost, nor will the proud heritage of Daimler-Benz," he said. (Bloomberg, Reuters)

## Lower Costs Help Profit Rise at Nestle

Compiled by Our Staff From Dispatches

ZURICH — Nestle SA said Friday that its first-half net profit rose 7.4 percent as lower commodity prices and cost-cutting more than offset higher spending on marketing.

Nestle, the world's biggest food company, earned 2.03 billion Swiss francs (\$1.43 billion) in the six months to June 30, up from 1.89 billion francs a year earlier. Sales rose 5.6 percent, to 35.32 billion francs.

European food-company earnings are rising amid the continent's fastest growth in a decade, blunting sluggish sales in Asia and Brazil. Nestle has streamlined its production and product range to cut costs while taking advantage of lower prices for cocoa and coffee.

They've had problems in crisis countries," Anne Alexander, an analyst at Credit Suisse First Boston, said. "But this is more than compensated for by the strength in Europe. Investors are reassured."

Nestle shares rose 54 francs to close at 2,660. The company forecast further gains for the year and said it remained confident about its long-term outlook.

Nestle, based in Vevey, Switzerland, sells more than 2,000 products including Taster's Choice coffee, Perrier and Poland Spring bottled water, Stouffer's prepared foods and Carnation milk products.

The company buys as much as 12 percent of the world's production of cocoa and coffee. Cocoa prices have fallen 16 percent in the past year as economic turmoil in Russia has added to concern about sliding demand, and robusta coffee prices have fallen 25 percent. That more than offset an 8 percent increase in Nestle's first-half marketing costs.

Separately, Nestle said it would appoint Rainer Gut as unexecutive chairman in 2000, succeeding Helmut Maucher, who is retiring.

Mr. Gut has been a Nestle director since 1981. He will leave his post as chairman of Credit Suisse Group. Credit Suisse Group said Lukas Muehlebach would be appointed chairman in addition to his current position as chief executive. (Bloomberg, Reuters)

## Alcatel Weighs 'Significant' Share Buyback

Compiled by Our Staff From Dispatches

PARIS — Alcatel SA, seeking to reduce damage done by its warning Thursday that profit would not meet forecasts this year, said Friday it would consider a "significant" share buyback program.

Alcatel's stock plummeted 38 percent Thursday, wiping \$11 billion off its market value, after it had not met full-year profit estimates because slowing demand in Europe was compounding the effect of economic turmoil in Asia and Russia.

The stock swung between gains and losses Friday before closing at 555 francs (\$97.56), down 16.

Investors said the buyback plan was not enough to regain their confidence. They faulted Alcatel's chief executive, Serge Tchuruk, for not calling attention to the problems sooner, especially in the company's first-half sales report issued July 28, when it forecast double-digit growth in sales this year and emphasized problems in Asia without highlighting any slowdown in Europe.

"Wouldn't Tchuruk have known more about falling orders at the beginning of the summer when he spoke to the financial community?" asked Michel Faure, a fund manager

at Chevrillon Philippe in Paris. "Confidence has been shattered in management."

The French stock market watchdog, the Commission des Operations de Bourse, said Friday it was opening an inquiry into the company's share plunge.

Mr. Tchuruk told the daily Le Monde on Friday that he had not misled the markets about the company's outlook.

"As far as the information to analysts is concerned, I have always respected the rules for listed compa-

nies, and I do not have a habit of cheating," he said. "From the moment I had the indication that we were not going to meet the expectations for 1998, I informed the supervisory board."

He said he had been surprised by the market's reaction and said the share-buyback proposal was an effort to make up for the Thursday rout.

Mr. Tchuruk also said he had no intention of resigning in the wake of the warning.

Traders said investors were worried that shareholders in DSC Com-

munications Corp., which Alcatel acquired this year, might sue Alcatel on the grounds that the French company may have known about the revised profit forecast when a share swap with DSC was finalized Sept. 7.

An Alcatel spokesman said the company did not have the information leading to the profit warning at the time.

Investors also are concerned that the U.S. Securities and Exchange Commission may launch an inquiry on the same issue, traders said. (Bloomberg, Reuters)

## Pernod Set to Defy Paris by Selling Orangina

Compiled by Our Staff From Dispatches

PARIS — Pernod Ricard SA said Friday that it was determined to push ahead with its plan to sell its Orangina unit to Coca-Cola Co., despite the French government's opposition to the deal.

"We are determined to examine all the possibilities to move our case on in the interests of the company, of Orangina and of its employees," said Thierry Jacquillat, chairman of Pernod.

The Finance Ministry of France

decided Thursday to back an antitrust body ruling that the sale would penalize consumers. PepsiCo Inc., whose products Orangina distributes in France, had argued the move would give its rival 99 percent of French sales of orange soda and cola drinks.

Pernod shares closed at 395 francs (\$69.43), up 16.20 francs.

Coca-Cola said it was not sure whether to keep the bid of 5 billion francs, but Pernod's statement indicated the French company expected

to keep the bid. The sale of Orangina, agreed in December 1997, had been meant to fund Pernod's international growth in wines and spirits and Pernod said it received the government's ruling with "incomprehension."

"The decision seems to us to underestimate the challenges currently confronting our industry," Pernod said. "It completely ignores the reality of the single European market and its opening to global competition." (Reuters, Bloomberg)

## WORLD STOCK MARKETS

Friday, Sept. 18

Daily prices in local currencies.

TSE Nikkei 225

DAX 30

FTSE 100

Nikkei 225

DAX 30

FTSE 100

Nikkei 225

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## ASIA/PACIFIC

## Sime Darby to Post a Loss From Its Move Into Banking

**KUALA LUMPUR** — Sime Darby Bhd., long cherished for its conservatism and steady profits, has learned a painful lesson from Asia's financial turmoil: Do not go into a business you do not understand. For Sime Darby, that business was banking.

"It's a mistake the management have admitted to," said Lee Chiah Cheang, a fund manager at BHLB Asset Management Sdn. "They are now getting rid of that baggage."

Malaysia's oldest and biggest conglomerate, with businesses ranging from condom manufacturing to car distribution and oil-palm plantations, is expected to announce Saturday that it lost money in the year ended June 30.

The yearly loss — the company's first in two decades — primarily stemmed from its banking unit, which it is now selling.

Sime's troubles tell the tale of how the pain from Asia's currency turmoil has damaged some of the region's biggest and most dominant companies. From Siam Cement Co. of Thailand to Sime Darby, companies across Asia have posted losses as consumer demand for goods ranging from homes to sports shoes dried up and economies shriveled.

Sime Darby is expected to post a loss of 545 million ringgit (\$143.4 million), reversing a profit of 835.8 million ringgit a year earlier. That implies a profit of 131.2 million ringgit in the second half, assuming that the company succeeded in taking the troubled banking unit off its books by the end of its first half.

Sime Darby's banking unit, Sime Bank Bhd., posted a loss of 1.8 billion ringgit for the six months that ended Dec. 31, the biggest loss ever for a Malaysian bank. Sime Bank was

one of the two banks that the central bank in March said urgently needed fresh capital.

The banking unit's troubles have pulled down Sime Darby shares, shrinking them to a third of their value a year ago.

The shares closed Friday at 2.48 ringgit, up 0.02.

With businesses scattered across Asia and Australia, from auto distribution in Hong Kong to property development in Singapore, Sime Darby controls 340 companies in 22 countries. Sime Darby, which started as a plantation business, used its rubber estate and oil-palm plantation land for real-estate projects when property prices were soaring.

In 1995, Sime Darby decided to venture into banking. It bought 60.35 percent of the banking unit of Danuk Keramat Holdings Bhd. for 1.3 billion ringgit.

"Until they got into their banking debacle, they weren't in such a weak financial position," said Loke See Ooi, an analyst at PB Worldsec Securities Advisor.

Sime Darby's banking and brokerage units racked up bad debts as the stock and property markets slumped when interest rates rose as the ringgit plunged. In April, Sime Darby found a buyer for its banking unit. Rashid Hussain Bhd. agreed to pay 770 million ringgit to Sime Darby for 60.35 percent of the bank.

Rashid Hussain's acquisition of Sime Bank stalled amid difficulties in the financing of the purchase but was put back on track when Malaysia this month agreed to provide 1.5 billion ringgit to speed up the deal.

"The bleeding will stop once Sime Darby gets rid of the bank," said Franklin Tan, vice president at Premier Capital Securities Sdn.

## Ssangyong Plans To Sell Oil Stake

Compiled by Our Staff From Dispatches

**SEOUL** — Ssangyong Group plans to sell a 28.4 percent stake in Ssangyong Oil Refining Co. to a foreign firm, possibly Saudi Arabia's state-owned company, Aramco, Ssangyong said Friday.

"We are negotiating with a foreign company over the deal," said Chang Chang Joon, a spokesman at Ssangyong Corp., the group's trading arm. "We expect the deal to be concluded in October."

He said Aramco was a potential buyer.

Ssangyong Oil is held by the group's flagship cement company, Ssangyong Cement Industrial Co. The cement company has almost 3 trillion won (\$2.17 billion) of debt and needs to sell businesses to stay afloat.

Ssangyong did not give a price for the stake in the refining company, but did say that the total amount of foreign money raised through recent sales of its units would reach \$1 billion if this deal was completed. (AFP, Bloomberg)

## JAPAN: Parties Agree on Plan to Reform Banking System

Continued from Page 1

in loans that have not been repaid. Standard & Poor's Corp. estimates that the figure might be twice as high.

Japanese officials hope that the agreement will calm markets. But Seiji Osumi, a banking analyst with Schroders, said there would still be concerns until the parties decided if and how they would put public funds into the banking system to replace the money lost from the bad loans.

The Liberal Democratic Party agreed to abolish a 13 trillion yen (\$97.01 billion) fund that allowed the government to inject money in banks. The law had few tough requirements for capital injection, and the opposition parties said the money was used to bail out Liberal Democratic supporters.

The parties have agreed to come up with a new mechanism, with strict standards, for the injection of public funds into banks. Mr. Osumi said that until the 13 trillion yen fund was replaced, the changes would not improve the system.

But Mrs. Ogawa said she believed the revisions might ultimately improve the system. "I think the Democratic Party agrees that you can't just let banks fold like dominoes, that you have to use public money to support

the banking system," she said. "What is encouraging to me is that they clearly are determined to make sure that there are conditions attached to this money."

She added that the Liberal Democratic Party's previous plan "was pretty much — let's just throw the money in the air and anybody can have it."

"That's our cow, and that's a very good thing," she said.

The one issue that the negotiators did not resolve was the fate of Long-Term Credit Bank of Japan Ltd., the major lender that appears on the verge of collapse. Yukihiko Ikeda, a key Democratic Party negotiator, said that the most likely solution would be the temporary nationalization of the bank, although he said there had been no final agreement.

The Liberal Democratic Party has insisted that Long-Term Credit Bank is not insolvent and that it should not be closed.

Analysis said that if the changes were carried out as explained, they might lay the basis for creating a profitable banking system. But they said that more details were needed.

The proposal agreed to Friday would do these things:

• Make it legally easier for the government to declare a bank insolvent and set up options for deal-

ing with bankrupt institutions. Depending on their size and other factors, the institutions might be allowed to fail and then be liquidated; or they might be temporarily nationalized, while the government restructured or liquidated them; or they might be overseen by a state-appointed administrator under a so-called bridge bank system until a buyer could be found.

• Create a U.S.-style Resolution Trust Corp. to buy bad debt from banks and sell off the collateral.

• Strip the Finance Ministry of its powers to determine which banks to nationalize, liquidate or restructure and transfer those powers to an independent panel, based in the prime minister's office. This agency, to be established by June 1999, is to set strict standards for disclosures, bad-loan reserves levels and rules for the injection of capital into banks.

This last item had been a major sticking point. The Liberal Democrats had tried to protect the power of the Finance Ministry and its influence over banks.

But opposition groups wooed. They have argued that the Finance Ministry ruined Japan's financial system by propping up bankrupt banks, construction companies and other companies with close ties to the Liberal Democrats.

## Manila Strives To Save PAL

Compiled by Our Staff From Dispatches

**MANILA** — President Joseph Estrada stepped up efforts Friday to save Philippine Airlines, meeting separately with union members and managers five days before the ailing carrier was due to close.

PAL said it would reconsider its shutdown plans if unions accepted a long-term agreement and the government limited foreign competition.

A 22-day pilots strike crippled operations at the 57-year-old airline, Asia's oldest, in June. This week, its employee association rejected an offer of a 20 percent stake in the company and three seats on its 15-member board in return for a 10-year suspension of collective bargaining. Union representatives said bargaining rights could not be sacrificed, even for the survival of the airline.

PAL's executive vice president, Manolo Aquino, said the process of closing already had begun. Asked whether the airline was bluffing, Mr. Aquino replied, "Let's see on Sept. 23." (Bloomberg, AFP)

## Investor's Asia

Hong Kong Hang Seng	Singapore Straits Times	Tokyo Nikkei 225
11000	1700	16750
10000	1500	16000
9000	1300	15250
8000	1100	14500
7000	900	13750
6000	700	13000
5000	500	12250
4000	300	11500
3000	100	10750
2000	0	10000
1000	0	9250
0	0	8500

Exchange	Index	Friday Close	Prev. Close	% Change
Hong Kong	Hang Seng	7,443.96	7,576.57	-1.72
Singapore	Straits Times	912.74	941.42	-3.05
Sydney	All Ordinaries	2,539.90	2,542.80	-0.11
Tokyo	Nikkei 225	13,983.12	13,858.14	+0.89
Kuala Lumpur	Composite	383.30	388.85	-1.75
Bangkok	SET	221.85	220.05	+0.82
Seoul	Composite Index	302.21	310.88	-2.79
Taipei	Stock Market Index	6,961.76	7,000.52	-0.55
Manila	PSE	1,174.61	1,269.24	-7.46
Jakarta	Composite Index	271.87	265.48	+4.84
Wellington	NZSE-40	1,734.67	1,762.36	-1.57
Bombay	Sensitive Index	3,090.72	3,121.30	-0.98

## Very briefly:

- NEC Corp., Japan's largest maker of personal computers and microchips, estimated it would have a loss to its first half ending Sept. 30, of 20 billion yen (\$1.14 billion) and cited Japan's recession, falling microchip prices and cuts in capital spending by customers. The company had net income of 35 billion yen in the year-earlier period.
- Mobil Corp. and the Singapore government delayed plans to jointly build an \$800 million petrochemical plant on the Singapore island of Jurong because of Asia's economic slowdown.
- Mitsukoshi Ltd., Japan's oldest department-store operator, halved its first-half profit forecast, to 450 million yen for the six months that ended Aug. 31, citing the prolonged slump in consumer spending.
- Broken Hill Pty., Australia's largest resources company, said profit for its first quarter, which ended Aug. 31, rose 23.6 percent, to 351 million dollars (\$207.4 million), as cost-cutting and profit from asset sales helped offset falling commodity prices.
- Nomura Securities Co., Japan's largest brokerage, and Industrial Bank of Japan Ltd. plan to launch a derivatives company in London within a month.
- India set a limit of 74 percent on foreign ownership of Indian television programming and equipment companies, said Sushma Swaraj, minister of information and broadcasting.

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Step by Step

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## The Low-Debt Remedy for Deflationary Ills

By Sharon Reier

**I**F SWISS BANKERS have shown a knack for amassing the cash of the world's wealthy, Swiss corporations would seem to be following suit.

A cursory survey of Swiss firms turns up at least five companies that have accumulated net cash hoards: Novartis AG, the pharmaceuticals maker; the Swedish-Swiss conglomerate ABB Asea Brown Boveri Ltd.; Schindler Holding AG, the elevator concern; Saurer AG, a manufacturer of textile machinery; and the watch manufacturer Societe Suisse Microelectronique & d'Horlogerie SA, known as Swatch Group.

Although long known for their practice of maintaining huge "hidden reserves" to compensate for lean times, Swiss corporations no longer keep their cash positions a secret. Beat Alpiiger, pharmaceutical analyst at Bank Julius Baer in Zurich, said that as they jockey to raise capital on the world's stock markets, "it is now more common for most globally active Swiss companies to use international accounting rules."

"Hidden reserves date back to 10 years ago, when they still adopted Swiss rules," he added.

The rules may have changed, but the habits have not.

Novartis has a net cash position of \$5.7 billion in its coffers: \$14.2 billion in cash and marketable securities, \$5.7 billion in long-term debt and \$2.6 billion in debt due within the year.

Since Novartis is a result of a friendly stock-for-stock merger between Ciba-Geigy AG and Sandoz AG, the conglomerate did not put debt on its balance sheet, and the enlarged concern has been restrained at a time when other pharmaceutical companies have been in an acquisition frenzy.

Although managers reportedly have told analysts that they have their eyes open for opportunistic acquisitions in the fragmented pharmaceutical industry, as recently as two or three months ago they regarded prices as too high.

Prices for drug stocks remain high, despite the recent plunging in European shares. The Swiss market took a beating in the past month or so, down about 20 percent after a three-year run-up, and Novartis stock is down 2 percent for the year. But on the whole, drug stocks remain strong because investors regard them as defensive plays in difficult times.

Novartis's best-selling products include a rheumatism drug called Botaxin and Neuronal, which prevents rejection of organ transplants. It also has an agricultural and a consumer-health division, which sells nonprescription drugs

### Changing Times May Mean No More Secrets In Swiss Firms, but Cash Reserves Still Abound

and nutritional supplements.

Swiss heavy manufacturers also are in the money.

Schindler, which installs elevators and escalators, has a net cash position of \$337 million, including a gross cash position of \$930 million and debt of \$571 million.

Elevator companies enjoy strong cash flow because once their devices are installed, there is a long residual profit stream in maintaining them, said Cyril Moser, an analyst who follows Swiss manufacturers at Merrill Lynch International in London.

Mr. Moser noted that the whole market cap of Schindler was \$1.57 billion, so that it would take a modest \$1.2 billion to take it over.

"If you take the company over, you would get the cash as well," he said.

Since it draws predators, cash can be a double-edged sword. But Swiss companies have ways to minimize that danger. Many, including Schindler, Novartis, ABB and Swatch, have both registered and bearer shares. Registered shares have restrictions on their voting rights; bearer shares do not.

Since the Schindler family owns most of the firm's registered voting shares, the possibility of a hostile takeover is virtually nil.

Mr. Moser also noted that Schindler's competitors, like Otis or Finland's Kone, "couldn't take them over because of antitrust reasons."

That largely restricts the field of possible suitors to the kind of financial companies that specialize in takeovers. But for them, the limited voting rights available make a hostile deal problematic.

One cash-rich Swiss concern that does not have two classes of shares to protect it is Saurer. According to Mr. Moser, the company's 250 million Swiss franc net cash position is "a very comfortable situation right now, despite the fact they are in a very cyclical industry."

Although Asia accounts for much of the market for textile machinery, Mr. Moser reckoned that the region's financial crisis was not hurting the company badly.

"They sell a lot in Asia," he acknowledged, "but not in Southeast Asia. It is mostly in India and China."

So far, those countries have been relatively insulated from Asia's downturn.

The Asian crisis may have more of an impact at ABB, which has a strong power-plant business in Asia. But ABB has a \$1.6 billion net cash position on its books. It has strong free cash flow and received

more than \$500 million when it put its locomotive division into a joint venture with that of Daimler-Benz AG in 1996.

Roger Birrer, industrial analyst with Bank Julius Baer, predicted that ABB eventually would make an acquisition that bolstered its core power businesses.

"It is a question of time," he said.

"In the past few months, M&A prices were quite high. Now they are more realistic, and companies will reinvest in operating businesses."

But the attraction of investing in stocks is waning, he added, as companies start to wonder whether returns on financial assets will be as good as they have been in recent years. Another alternative to using a corporate cash hoard — buying back the company's own shares — is not appealing in Switzerland due to punitive tax consequences, he added.

Mr. Birrer expressed doubt that having nonvoting shares in Switzerland could continue to prevent hostile takeovers.

"A company can do nothing against a hostile takeover unless they have good reasons to stop it," he said.

He added that after the mergers of Ciba and Sandoz and of Union Bank of Switzerland with Swiss Bank Corp., "which people thought could never happen," as long as there are "realistic reasons, people are willing to go for it."

While the Swiss often take the lead in amassing cash, some other European countries have strong candidates.

In France, for instance, Societe Bie SA, the company that boasts of selling 20 million pens and 4 million lighters each day, reported less than \$10 million in long- and medium-term debt and about \$280 million in cash and investments at the end of 1997. And this despite the acquisition last year of Sheaffer pens — a higher-end brand that had been losing revenues.

After a wobbly period during which Bie attempted unsuccessfully to diversify into perfumes and sailboats, the company's fortunes have turned, and it was accorded a measure of respect when it was placed in the CAC 40 index of blue-chip French stocks in 1997.

Bruno Bich, who took over the leadership of the company from his father, makes no secret of wanting to use the company's cash and more than 348 million francs (\$62.1 million) a year in free cash flow to make more acquisitions.

"Our treasury and substantial operating cash flow will allow us to seize acquisition opportunities in our areas of key competencies," he said in the company's last annual report.

At Natexis Capital, the analyst Florence Franco said Bie's cash pile "is one of their main assets."

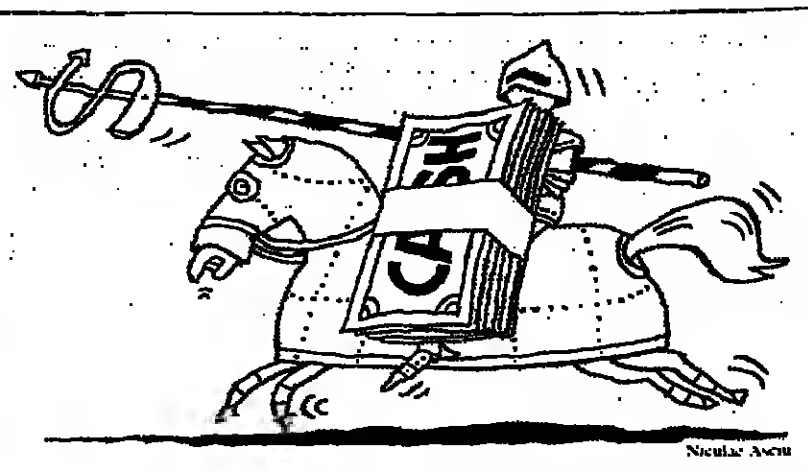
"If they find a good acquisition, they have a bundle to do it with," she added.

"But at the moment it is not so good to have a bundle of cash because interest rates are going down. People could get tired of holding while they just make these low interest rates. It could be good for the stock if they buy something."

But Bie need not hurry. With the Bich family and related entities controlling more than 40 percent of its shares, management appears immune from predators, even though the stock has underperformed the French market this year.

SAP AG, the German answer to Silicon Valley, reported that it had more than \$600 million in cash on its books and only \$2 million in debt when it filed for its listing on the New York Stock Exchange in August. SAP is the market leader in so-called enterprise software, which are programs that run major portions of computers for big companies.

While SAP may have substantial cash, the amount is minuscule compared with its recent \$61 billion market cap. SAP has the third-highest market capitalization in Germany, after Deutsche Telekom and the insurer Allianz AG. When investors pay \$3 times estimated earnings for SAP shares, said Stefan Gruber, an investor relations chief, it "is due to high long-term expectations," not cash in the bank.



### Low-Debt Companies, Part I

There are not many investors with substantial experience in deflationary environments. The last time deflation was widely felt was during the Great Depression of the 1930s. In the 1970s and 1980s, when inflation was the driving force, the key to success was using other people's money. Going into debt was a smart thing to do, the money you paid back was worth far less than the cash you borrowed several years earlier.

Times have changed. With prices falling in many parts of the world, money gains value over time instead of depreciating. Borrow \$100 when oil costs \$20 a barrel, and you can buy five barrels of oil. If oil has fallen to \$10 over the life of the loan, that \$100 buys 10 barrels. With lenders still charging interest, not only do debtors pay back more valuable dollars than they borrowed, they get to pay for the privilege.

What does this mean for companies and investors? It seems you would be better off investing in those corporations that do not have any debt, and this seems to be true in much of the world, although not the United States, a survey by Money Report correspondents revealed. We present prospects for Europe and Latin America today.

Part II, with the outlooks for Asia and North America, will appear in next week's Money Report.

## Debt-Free, Dollar-Rich in Latin America

By Aline Sullivan

**S**TAYING COOL as Latin America beats up should be as simple as waving a fan: stick with the companies that have substantial dollar earnings and little or no dollar debt.

Investing is rarely simple, of course.

For most investors, Latin America remains worrisome, despite President Bill Clinton's pledge this week to back up the region's economies. Colombia and Ecuador recently devalued their currencies and Venezuela is likely to be next. Investors in Brazil, where interest rates have soared as the government battles to preserve the value of the country's currency, the real, following huge capital outflows, are holding their breath.

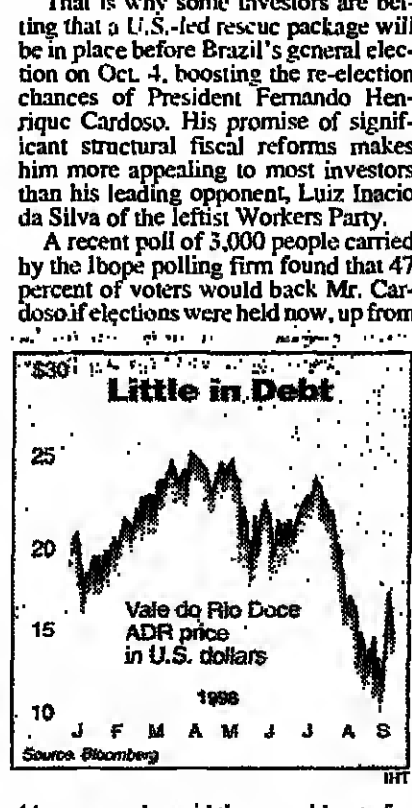
But in Latin America, public squallor can mask surprising caches of private splendor. Many companies earn substantial portions of their sales in dollars, and many now have significant cash holdings. Currency devaluations are bad news for the region's economies in general — burdened as most Latin American countries are by huge foreign debts that become more expensive as their home currencies depreciate — but are at worst a mixed blessing for its most financially fit companies.

"Brazilian stocks in particular have very low debt," said Stephen Rose, managing director of UBB Capital Markets Ltd. in London, a subsidiary of Union Banco of Brazil. "Companies such as the mineral iron ore exporter Cia Vale do Rio Doce have nothing to lose if the real devalues because it owes very little and makes most of its money in dollars."

The Brazilian paper company Aracruz Celulose SA similarly has almost all dollar revenue, he said. Mr. Rose said he did not expect Brazil to devalue its currency.

There are other reasons to invest in the region. Some investors are betting that the U.S. Treasury will, in the words of the Salomon Smith Barney analyst Jim Barrineau, draw a line in the sand at Brazil. After all, Latin America accounts for a fifth of U.S. exports. Brazil alone owes U.S. banks \$27 billion. Like the Mexican crisis in 1995, economic

turmoil in Brazil is hitting just too close to home.



44 percent who said they would vote for him in late August.

"The risk of being out of Brazil is up," Mr. Barrineau said. "Investors who couldn't wait to reduce their holdings a week ago should begin to reconsider."

Stocks have been beaten down so low that they are certain to shoot up if investor perception of risk declines, he said, adding, "Fear can turn to greed in an awful hurry."

Mr. Barrineau recommended buying shares in Brazil's Eletropaulo Metropolitana SA, Telecomunicacoes do Parana SA, known as Telepar, and Cia Energetica de Sao Paulo, Brazil's largest utility. He also cited two Mexican companies, Grupo Financiero Bancomer SA and the retailer Grupo Elektra SA, as good "value picks."

Grupo Elektra announced on Sept. 11 that it had reconsidered its ambitious

expansion plan in light of current global economic conditions. It will now cut capital expenditure plans to \$40 million for next year, down from planned \$100 million announced just a few months ago, and will open only \$5 new stores in Mexico and Central America in 1999, instead of 170.

The company also said it would lay off an unspecified number of personnel, cut executives' salaries by 10 percent and refrain from taking out any new debt.

Other analysts named big Mexican companies such as Telefonos de Mexico SA, the cement maker Cemex SA, and Grupo Televisa SA as strong, cash-rich companies able to weather the current turbulent markets.

Indeed, Mexico may prove to be the region's best bet. The currency has taken a beating and domestic interest rates have soared to almost 40 percent, but Mexico is nevertheless in the best shape of the Latin American markets. Its budget deficit of 1.25 percent of gross domestic product compares well with Brazil's 7 percent.

More importantly, its membership in the North American Free Trade Agreement allows the country free access to the U.S. market as its own market loses steam. The companies with little or none of Mexico's \$4.3 billion in corporate foreign currency debt are unquestionably the best placed to exploit this access.

In Argentina and Chile, investors are again testing the waters. But they are concentrating on just the largest, most liquid stocks: YPF SA, the oil company, and Banco Bursud SA, are the top picks in Argentina, while Cia de Telecomunicaciones de Chile SA, known as CTC, is a favorite in Chile.

Investors are even more cautious in the smaller markets, agreeing perhaps with the pessimism of the J.P. Morgan & Co. analyst Bill Contente.

"It doesn't make a blind bit of difference if some companies are making gold out of water in Latin America," he said. "No one is going to buy their stock now."

Be that as it may for many companies in the region. But those whose coffers are already stocked with gold, or at least cash, the outlook is far more promising.

## Plan for Inflation While It Sleeps

### Floating-Rate Treasuries Look Like a Good Insurance Policy

**I**NFLATION IS nowhere in sight in the United States, which is exactly why a smart investor should worry about it. Two years ago, in an act of true benevolence, the U.S. Treasury invented the only investment that truly protects the little guy against inflation. It is remarkable that this investment remains largely undiscovered.

Of course, it is easy these days to forget that inflation can grind your savings to powder. Statistics announced this week show that, over the past year, the Consumer Price Index has risen only 1.6 percent. But check the history books: Since 1965, prices have risen at an average of 5.2 percent annually. At that rate, one dollar in the year 2026 will have the buying power of 25 cents today.

But hardly anyone bothers with inflation today, except a few curmudgeons at the Federal Reserve Board. The buzzword has been deflation — a decline in the general level of prices. If a washing machine cost \$400 last year, it will cost \$370 this year.

Deflation has not spread globally, but even a whiff of it has sent Japan into a swoon. As prices, including wages, start dropping, consumers tend not to consume. Instead, fearful, they save, watch the value of their money rise and wait till prices bottom out — if they ever do. Most everyone's last experience with deflation, the Great Depression, lasted a decade.

I have been worried about deflation for the past year; I still believe it is a serious threat. Commodity prices, including metals and grains, are at 20-year lows. The Producer Price Index dropped sharply in August and is down 0.9 percent for the past 12 months.

But this situation has been largely discounted by the markets. Everyone knows that inflation is low or nonexistent, and that condition has been priced into investments.

More important, consider the longer term. Even if inflation has been tamed today, do you really believe it will still be docile in five years? How about 10 years? Thirty years? It's doubtful that Alan Greenspan will be leading the Fed then.

If you have the slightest concern about inflation over the next decade or about inflation over the next century, then you should think about investing in what are called "inflation-indexed securities."

These are notes and bonds that protect you against inflation by paying a fixed

"real" rate of interest that is topped off each year with an inflation adjustment based on the CPI.

The securities trade in the market just like normal bonds. Their prices — and thus, the underlying real yields they pay — fluctuate, though not much. For example, the 10-year inflation-indexed bond's real rate has varied over the past year from 3.54 percent to 3.86 percent.

If you buy a long-term inflation-protected bond and keep reinvesting the proceeds in similar bonds, you are virtually guaranteed to double the buying power of your original investment in 20 years. That probably will not beat a stock. If inflation averages 3.8 percent and a stock returns 11 percent, then your buying power will quadruple in 20 years if you put your money in the equity. Stocks remain the best long-term investment for most of us. But

least some of their funds into these bonds, which provide the only safe way to protect against rising prices.

Imagine, for example, what would happen if inflation started showing up on the Fed's radar screen. Interest rates would rise to choke it off, and stocks almost certainly would plummet.

Some economists argue that the new globalized, techno-centric economy keeps prices low because pumping up the supply of goods is easier than in the past, and more supply means lower prices.

Others differ. One Fed governor, Edward Gramlich, said last week in Pittsburgh, "You kind of look at the different sectors in the U.S. and you see inflation as more of a threat."

Even with deflationary winds blowing, it is not hard to imagine government money to combat an international slump. That means inflation.

Thus, inflation-protected bonds. The U.S. Treasury has issued more than \$50 billion worth of them, and similar securities (about \$140 billion) have been issued by Australia, Britain, Canada, France, New Zealand and Sweden.

You can buy the U.S. bonds easily through the Treasury or through a broker. They come in denominations as low as \$1,000.

Although there is no guarantee that, if you sell these bonds before maturity, you will get what you paid for them, your risk is far lower than with regular government bonds.

Assume you buy a conventional bond yielding 5 percent and inflation jumps sharply next year. Newly issued bonds will be yielding 6 percent, so, in order to sell your old bond, which pays one percentage point less, you will have to offer buyers a discount. Instead of receiving \$1,000, you might get only \$900.

With an inflation-indexed bond, this scenario is extremely unlikely. Unless investors demand a sharply higher real rate, the price should not change much from the original \$1,000. Even if you plan to hold your conventional bond to maturity, inflation can be a killer. Imagine buying a 30-year bond today that yields 5.16 and finding inflation at 7 percent in a few years.

Washington Post Service

INFLATION-PROTECTED BONDS can be purchased by calling Treasury Direct at 1-800-874-0000, or on the Web at www.treasurydirect.gov. An American bank account is necessary for direct purchases.

### JAMES K. GLASSMAN ON INVESTING

Treasury bonds are a good insurance policy, and inflation-linked Treasuries may be the best insurance of all.

The Treasury has issued four series of securities: a 30-year bond that matures April 15, 2028; two 10-year bonds, one maturing Jan. 15, 2007 and the other maturing a year later; and one five-year note, maturing July 15, 2002.

The Treasury plans to keep issuing a new series every October, January, April and July. The next sale is tentatively set for Oct. 7.

The 10-year bond that matures in 2008 was last week paying a real rate of 3.66 percent. If inflation is 1.6 percent this year, then it will pay an effective yield of 5.26 percent, which is considerably more than the 4.77 percent that the 10-year bond was yielding.

In fact, the conventional 10-year bond is priced to assume that inflation will average about 1.1 percent for the next decade. If you believe that, I have some fine Russian stocks for you.

Late last week, the 30-year inflation-indexed bond carried a real yield of 3.7 percent, compared with a yield of 3.16 percent for the regular 30-year bond. This means that buyers of the latter are figuring that inflation will be about 1.5 percent over the next generation — again, somewhat optimistic if one judges from history.

No one knows what inflation will do in the coming decade or three, but investors would be prudent to put at

## BRIEFCASE

### Buy Luxury Goods, Boost Your Wealth

"High-quality assets at bargain-basement price." It sounds like an advertisement for something you probably shouldn't buy, but in fact, it is Merrill Lynch & Co.'s report on Compagnie Financiere Richemont AG, and the broker-house is definitely bullish.

The Switzerland-based Richemont was formed in 1988, when Rembrandt Group of South Africa spun off its international operations. A further reorganization in July 1993 put it in control of Rothmans International PLC, the fourth-largest tobacco company in the world, and Vendome Luxury Group, which owns such brands as Cartier, Dunhill, Mont Blanc, Piaget, Karl Lagerfeld, Salika and Chloe.

The company also has a 15 percent stake in Canal Plus SA, the French cable company, and it owns just under half of Hannover Direct Inc., an American direct-marketing company that used to be Hom & Hardart, a food retailer.

Its stock has been a mediocre performer since that reorganization, when it traded at 1,370 Swiss francs (\$592). On Friday,

it changed hands at 1,620, a gain of about 15 percent during a period when the Swiss Market Index nearly quadrupled.

The sum of those parts, the Merrill analysts Jonathan Fell and Edouard de Boisgelin said this week, is worth 2,656 francs per class A unit, which twins a low-voting A bearer share with a participation certificate. The B units, which represent just over 9 percent of the equity, have half the votes. The Rupert family owns the B units.

Merrill takes 20 percent off its valuation to account for the discount borne by holding companies to get a 2,125 franc 12-month price target, an increase of about 24 percent from the current level.

What does Merrill see in Richemont? For one thing, it is predicting earnings growth of 13 percent a year in the coming five years, after a possible near-term disruption from the global financial crisis, and the analysts said "the company appears to be becoming more shareholder friendly and increasingly transparent."

Merrill sees a change in the composition of the company's earnings. Right now, tobacco accounts for about 68 percent of sales and 77 per-

cent of profit, while luxury goods make up the rest.

Rothmans, however, is projected to show profit growth of 6.5 percent in the coming five years. One attractive facet of the company, in which Rembrandt directly holds a 33 percent stake, is that it "has almost no exposure to U.S. litigation" against its operations, which include the Rothmans, Dunhill and Peter Stuyvesant brands.

Vendome's luxury goods are so high-end that it is less susceptible to the problems in Asia than competitors who cater to the merely affluent, the Merrill analysts said.

So Vendome is expected to account for an increasingly large part of the earnings pie. Meanwhile, Merrill said the Canal Plus investment is expected to start contributing to earnings in about two years.

Investors will not have too much trouble finding the stock: The A units or their depositary receipts trade in Zurich, Johannesburg, London, New York and Stuttgart. European investors, Merrill said, are increasingly interested in the stock, and shares are moving from South Africa to the Continent.

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The 1,000 most traded National Market securities  
in terms of dollar volume, updated twice a year.  
The Associated Press

Stock	High	Low	Open	Close	Volume	Change
IBM	125.25	124.75	125.00	125.00	1,200,000	+0.25
Microsoft	55.00	54.50	54.75	54.75	1,100,000	-0.25
Apple	45.00	44.50	44.75	44.75	1,000,000	-0.25
Amazon	25.00	24.50	24.75	24.75	900,000	-0.25
Google	15.00	14.50	14.75	14.75	800,000	-0.25
Oracle	35.00	34.50	34.75	34.75	700,000	-0.25
Sun	20.00	19.50	19.75	19.75	600,000	-0.25
HP	30.00	29.50	29.75	29.75	500,000	-0.25
Intel	40.00	39.50	39.75	39.75	400,000	-0.25
Motorola	25.00	24.50	24.75	24.75	300,000	-0.25
Qualcomm	35.00	34.50	34.75	34.75	200,000	-0.25
Verizon	20.00	19.50	19.75	19.75	100,000	-0.25
AT&T	15.00	14.50	14.75	14.75	50,000	-0.25
WorldCom	10.00	9.50	9.75	9.75	40,000	-0.25
Sprint	8.00	7.50	7.75	7.75	30,000	-0.25
Time Warner	12.00	11.50	11.75	11.75	20,000	-0.25
Comcast	9.00	8.50	8.75	8.75	10,000	-0.25
Netflix	7.00	6.50	6.75	6.75	5,000	-0.25
Spotify	5.00	4.50	4.75	4.75	4,000	-0.25
Twitter	3.00	2.50	2.75	2.75	3,000	-0.25
Facebook	2.00	1.50	1.75	1.75	2,000	-0.25
LinkedIn	1.00	0.50	0.75	0.75	1,000	-0.25
Slack	0.50	0.25	0.375	0.375	500	-0.125
Zoom	0.25	0.125	0.1875	0.1875	250	-0.0625
Dropbox	0.125	0.0625	0.09375	0.09375	125	-0.03125
GitHub	0.0625	0.03125	0.046875	0.046875	62.5	-0.015625
Heroku	0.03125	0.015625	0.0234375	0.0234375	31.25	-0.0078125
Twilio	0.015625	0.0078125	0.01171875	0.01171875	15.625	-0.00390625
SendGrid	0.0078125	0.00390625	0.005859375	0.005859375	7.8125	-0.001953125
MailChimp	0.00390625	0.001953125	0.0029296875	0.0029296875	3.90625	-0.0009765625
Buffer	0.001953125	0.0009765625	0.00146484375	0.00146484375	1.953125	-0.00048828125
Buffer	0.0009765625	0.00048828125	0.000732421875	0.000732421875	0.9765625	-0.000244140625
Buffer	0.00048828125	0.000244140625	0.0003662109375	0.0003662109375	0.48828125	-0.0001220703125
Buffer	0.000244140625	0.0001220703125	0.00018310546875	0.00018310546875	0.244140625	-6.103515625e-05
Buffer	0.0001220703125	6.103515625e-05	9.1552734375e-05	9.1552734375e-05	0.1220703125	-3.0517578125e-05
Buffer	6.103515625e-05	3.0517578125e-05	2.32631875e-05	2.32631875e-05	6.103515625e-05	-1.52587890625e-05
Buffer	3.0517578125e-05	1.52587890625e-05	1.163159375e-05	1.163159375e-05	3.0517578125e-05	-7.62939453125e-06
Buffer	1.52587890625e-05	7.62939453125e-06	5.815796875e-06	5.815796875e-06	1.52587890625e-05	-3.814697265625e-06
Buffer	7.62939453125e-06	3.814697265625e-06	2.9078984375e-06	2.9078984375e-06	7.62939453125e-06	-1.9073486328125e-06
Buffer	3.814697265625e-06	1.9073486328125e-06	1.45394921875e-06	1.45394921875e-06	3.814697265625e-06	-9.52439453125e-07
Buffer	1.9073486328125e-06	9.52439453125e-07	5.79724609375e-07	5.79724609375e-07	1.9073486328125e-06	-4.762197265625e-07
Buffer	9.52439453125e-07	4.762197265625e-07	2.38182291875e-07	2.38182291875e-07	9.52439453125e-07	-2.38182291875e-07
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Buffer	1.190911459375e-07	5.954557296875e-08	2.9786382421875e-08	2.9786382421875e-08	1.190911459375e-07	-2.9786382421875e-08
Buffer	5.954557296875e-08	2.9786382421875e-08	1.48956912109375e-08	1.48956912109375e-08	5.954557296875e-08	-1.48956912109375e-08
Buffer	2.9786382421875e-08	1.48956912109375e-08	7.44884560546875e-09	7.44884560546875e-09	2.9786382421875e-08	-7.44884560546875e-09
Buffer	1.48956912109375e-08	7.44884560546875e-09	3.724422802734375e-09	3.724422802734375e-09	1.48956912109375e-08	-3.724422802734375e-09
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## SPORTS

## A General to High School Soldiers

**L**AKE OSWEGO, Oregon — He pulled himself out of bed at 1 A.M. and put on his clothes. Then Mike Coulson woke up his wife and asked her to drive him to the hospital. "She said, 'What are you talking about?' he says. "It's funny, but it took me awhile to convince her that something was wrong."

At the hospital, stretched across a padded table, he looked up and saw the readings of his heart going haywire. The doctor told my wife, "Your husband is one of the luckiest persons I've ever been around—he's having his heart attack right now at the hospital instead of having it at home," Coulson says.

He celebrated his 46th birthday just a few hours before suffering the heart attack. Within three days he was undergoing surgery on a blocked artery. After five days in the hospital, he went to football practice. Coulson is a high school football coach.

High school football is one of America's larger causes. By Coulson's figuring, there are about 280 high school football teams in Oregon, a state of only 2 million people. Each team is an outfit of teenage soldiers, representing their school each weekend of fall against neighboring districts and towns. Some towns cheer for their team more seriously than others.

Lake Oswego, a suburb of Portland, is probably the richest town in Oregon. Many players of the NBA's Portland Trail Blazers live in the town. The football team at Lakeview High School won the state championship in 1987, a year before Mike Coulson arrived as the new head football coach. He has won 68 of the

In America/IAN THOMSEN

100 games he has coached at Lakeview, but he has not won the state title.

"Most of the kids at this school expect to go to college," Coulson says. "With that expectation comes a work ethic and a willingness to get the job done."

Success is created by—and achieved in spite of—local pressures. In 1994, after Lakeview lost the opening game of the season, a minority of highly motivated parents campaigned to run Coulson out of his job. In fact, his team didn't lose another game that season until the semifinals of the state championship, when Lakeview was beaten in the fifth period of overtime.

When Coulson rushed back to work in August 1997, a few days after his heart attack, he was pushed not by the ambitions of his community but by ambitions and loyalties of his own, fueled by the warlike mythology of American football.

As their general, in a way, he expected himself to set an example for his young soldiers. How could he ask his players to keep fighting despite pain and injury if he was unwilling to do so himself?

His wife and three daughters held a different point of view. The cause of winning a football game is artificial, they argued, compared to the risk of losing a husband and a father.

"That was a tough one for me to separate," Coulson admits. "The most important things in my life are my wife and family. But I played football for 12 years and had been coaching it for 24 years, and it was a huge part of my life, a huge part of the success of my life. It

was hard for me to separate the one from the other."

He and his wife, Diane, reached a compromise. He will coach this season and next, and then he will retire from football at the age of 48. Meanwhile, he is doing everything he can do to remain calm in a sport that tends to get carried away with itself, even in high school.

Never once from his self-imposed distance will he criticize the way he used to behave—like one of those coaches on American television, hollering both complaints and congratulations as if shouting to be heard over the mortars and the gunfire. All the same, his primary goal now is to keep the stress in perspective, to not let it get the best of him or his team.

"I'm on a medication, a calming medication, and it's made a difference," he says. "I'm kind of at a philosophical point now. I tell the players, 'For you on Friday night at 7 o'clock, football should be the most important thing. But at 10 o'clock it shouldn't be. On Sundays it shouldn't be. It needs to be extremely important to you while it's going on, but at other times other things should be more important.'"

He is slim with thick brown hair and a bushy mustache, an easy laugh and a tan left over from the summer. If you didn't know about his heart attack, you would say that Mike Coulson is one of the healthiest looking people you ever met.

Ian Thomsen is a senior writer for Sports Illustrated magazine.

Iwan Thomas of Wales, right, edging out Mark Richardson of England, second from left, to win the Commonwealth Games 400-meter gold medal. Sugath Thilakarathne of Sri Lanka, third from left, took bronze.

Thomas Dashes to Gold and Record

**KUALA LUMPUR**—Iwan Thomas left his Welsh teammate, Jamie Baulch, trailing in fourth and charged to the Commonwealth Games 400-meter gold medal in a Games record time Friday to add the title to last month's European Championship triumph.

The tall Welshman turned on the power with 80 meters to go to take the title in 44.52 seconds.

England's Mark Richardson took the silver in 44.60 and Sugath Thilakarathne of Sri Lanka caught the fading Baulch to take the bronze in 44.64. Thomas's time bettered the 44.60 of Australia's Darren Clark, set eight years ago at Auckland, and his latest triumph came a week after he also won the 400-meter title at the World Cup in Johannesburg.

Baulch flopped on the track after his loss and was later helped up by his Welsh teammate.

In other events Friday, the defending champion in the women's 500m, Judy Oakes, gained a medal for the sixth Commonwealth Games in a row, winning her third gold. The 40-year-old English athlete beated 18.83 meters with her first throw to virtually put herself out of reach of the other seven competitors. Second-place Myrtle Angee made it an English 1-2 but was 1.67 meters short of Oakes's effort. South Africa's Johanna Abrahamse captured the bronze with a best of 16.52.

For Oakes, Friday's triumph made it three golds, two silvers and a bronze since she made her Games debut at Edmonton in 1978. She won a bronze there, gold in Brisbane in '82, silver at Ed-

inburgh in '86 and Auckland '90 and gold at Victoria, British Columbia, four years ago. She is the only track and field athlete to win a medal at six Games in a row.

In the women's 400 meters, Sandie Richards of Jamaica finally collected a gold. She was a bronze medalist in the event four years ago and world championship runner-up in 1997. She set a Games record of 50.17 seconds to run clear of Scotland's Alison Curbishley, 50.71, and England's Donna Fraser at

other attempts were no jumps. Andrew Owusu of Ghana collected silver with 17.03. Remmy Limo gained the bronze with 16.89 and Golley, who was favored to win in Edwards's absence, failed to medal in fourth with 16.83.

In the women's 400 meter hurdles, Blackett clocked 53.91 seconds, pulling away from England's Gowrie Reichenbach-Hodge, who clocked 55.25, and Karlene Houghton of Canada, who had 55.53. Blackett's time beat the 54.51 run by former Olympic champion Sally Gunnell at Victoria four years ago.

Rendell threw 74.71 meters to capture Australia's second hammer gold following Debbie Sosimkenko's victory in the women's event.

England's Michael Jones placed second with 74.02 and South Africa's Chris Harmse took the bronze with a best heave of 72.83. Rendell, who succeeds two-time winner Sean Carlin, had the best three throws of the final.

Boxer Makes Final Again

Defending champion Mark Simmons of Canada recovered from two 8-counts in the first round and a 10-6 deficit in the third to defeat Kevin Evans of Wales in a heavyweight semifinal at the Games.

Five other Canadians, including four defending champs, also moved to the finals while Australia suffered its worst day at the ring: all four boxers lost.

Simmons, a physical sciences student at York University, Toronto, said he was aware he was behind Evans but did not know by how much. Simmons, 24, will fight the final with Roland Raftoy of Seychelles who beat Garth Da Silva of New Zealand in the other semifinal.

Tyson Not Hopeful of Reinstatement

By Timothy W. Smith  
New York Times Service

**LAS VEGAS**—Like a politician who is trailing in a campaign a few days before an election, Mike Tyson made a public appearance at a luncheon to honor Governor Robert Miller of Nevada and Elias Ghanem, the chairman of the Nevada State Athletic Commission, at Caesars Palace.

Tyson will appear before the commission Saturday in a public hearing on his application for the reinstatement of his boxing license. All commission members except one was at the luncheon Thursday. But while Tyson shook hands with the commissioners and signed autographs for fans, he was not optimistic about his chances of regaining his license.

"I'm not very encouraged," Tyson said when asked whether he thought he would be reinstated.

Tyson refused to discuss the matter in depth. Two commissioners, James Nave and Glen Carano, also refused to discuss the details. Nave said he "never gave it a thought" that Tyson was at the luncheon.

But Nave said he would question Tyson extensively about an incident in Gaithersburg, Maryland, on Aug. 31 in which two men said Tyson assaulted them after a minor traffic accident. Tyson has been charged with two counts of misdemeanor assault. Nave said the commission hearing would be lengthy.

Tyson's license was revoked July 9, 1997, after he bit Evander Holyfield on both ears during a heavyweight

championship fight in Las Vegas on June 29, 1997.

Shelly Finkel, Tyson's adviser, said Tyson had not assaulted the two men, reported to be aged 50 and 62, after the Maryland accident. Finkel also said the misdemeanor charges should have no bearing on the former heavyweight champion's chances of getting his license back.

Finkel said Tyson would not use as many character witnesses as he did for a hearing in New Jersey, where he first sought reinstatement before withdrawing his application. Finkel said Tyson was having financial difficulties because he had not been able to fight in a year.

The Internal Revenue Service has placed a \$6.3 million lien on Tyson's 61-room mansion in Connecticut.

DENNIS THE MENACE

"I DON'T KNOW WHAT SHE'S SO EXCITED ABOUT. IT ISN'T THAT BIG OF A SNAKE!"

PEANUTS

YES, YOUR HONOR, MY CLIENT WAS STANDING ALONE IN THE FIELD MINDING HIS OWN BUSINESS.

SUDDENLY, WITHOUT WARNING, HE WAS ATTACKED BY THREE OF THE FARMER'S CROWS!

HE SAYS TO STOP SCATTERING STRAW ON THE FLOOR.

GARFIELD

NO, I UNDERSTAND... GET WELL SOON.

EVERY GIRL I'VE ASKED OUT IS SICK.

WHAT A COINCIDENCE. THE LIGHTS ARE ON, BUT NOBODY'S HOME.

BRETT BAILEY

GOING TO CHURCH?

YEAH, I THOUGHT I'D TRY THAT NEW RELIGION THAT JUST OPENED.

THE INTERNATIONAL CHURCH OF PANCAKES.

BLONDIE

LET ME CARRY FOR YOU MR. BUNSTEAD. PLEASE? I'M REAL GOOD!

OH NO! LET'S GO ASK YOUR MOM.

ALL RIGHT, BLONDIE. NOW SEE IF YOU CAN FIND MY BALL.

CALVIN AND HOBBES

DON'T COME IN HERE!

WHY NOT? I'M ROASTING.

YOU'LL GET HURT IN THE WATER. GO DO SOMETHING ELSE.

WIZARD of ID

WHERE ARE THE SHEEP?

THEY'RE EATING THE SEVENTH FAIRWAY.

NON SEQUITUR

IT'S THE PANDA CREEK. LOOK, THERE'S AN EYE ON THE LINE. YOU'RE ON THE AIR.

YOU'VE BEEN CAUGHT! YOU'VE BEEN CAUGHT! YOU'VE BEEN CAUGHT!

DOONESBURY

SO WHAT DO YOU WANT TO GET OUT OF ARLINZ ZIPPER? WHAT DO YOU WANT TO DO NEXT?

NOT SURE. I'M THINKING OF BEING THE FROTH SENSATION ON THE FETTERBALL TEAM.

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DAVE BARRY

## It's Floor Mat Man!

MIAMI—My wife mentioned, casually, that she had been talking to a friend's son, Alexander, about his coming fourth birthday. "Alexander says he's having a Batman party," she said.

"Hm," I said.

"So I told him that maybe Batman would come to the party," my wife said.

"Hm," I said.

My wife just looked at me. Suddenly, I knew who was going to be Batman.

I was not totally opposed. It seemed to me that Batman had a pretty neat life, disguised as wealthy playboy Bruce Wayne, waiting for the police commissioner of Gotham City to shine the Bat Signal onto the clouds (it was always a cloudy night when they needed Batman). Then Bruce would change instantly into his Batman costume and roar off in the Batmobile to do battle with the Forces of Evil or attend a birthday party.

Of course, Bruce owned his own Batman costume. I had to rent mine. It consisted of numerous black rubber pieces, similar to automobile floor mats, with strings so you could tie them to your body. One piece was shaped like rippling chest muscles, so you could transform yourself, like magic, from a flabby weakling into a flabby weakling wearing an automobile floor mat. It took me a long time to get into this costume, but finally I was ready to speak the words that strike fear into the hearts of criminals everywhere: "Michelle, could you tie my G-string?" It turns out that a key part of the Batman costume is this triangular floor mat piece that protects the Bat Region. It's very difficult to attach this piece to yourself without help, which could explain why Batman hooked up with Robin.

It was always a cloudy night when they needed Batman.

At last I was ready. In full Bat regalia, I stepped out of the house, and—as crazy as this may sound—for the first time I truly understood, as only a crusader for justice can understand, why people do not wear heavy black rubber outfits in South Florida in August. Staggering through the armor-piercing sunshine and 384 percent humidity, I made it to the Batmobile, which was disguised as a wealthy playboy Toyota Celica.

When we got to Alexander's house, in accordance with our Bat Plan, I remained outside in the Batmobile while Michelle went to the back yard. We had bought Alexander a Batman walkie-talkie set; Michelle gave Alexander one unit and told him to use it to call Batman. These Batman walkie-talkies contain actual transistors, so when Alexander called me, I was able to hear, on the other unit, clear as a bell, a random bunch of static. Interpreting this as the Bat Signal, I pulled the rubber Bat Cowl over my head, thus rendering myself legally blind, and drove the Toyota Batmobile into the back yard.

The effect on the party guests, as you would expect, was electrifying. With all eyes upon me, eventually I was able to disentangle my cape and stride in a manly, rubberized way over to the birthday boy.

"Happy birthday, Alexander!" I said, using a deep Bat Voice. After that the conversation lagged, because, let's be honest, what are you going to talk to Batman about? The pennant races?

I was able to stride in a manly, rubberized way to the birthday boy.

So we just stood there for a while, with Alexander staring at me, and me trying to look manly and calm despite the fact that after 30 seconds in the sun I could have fried an egg on top of my cowl.

Finally the cake arrived, and everybody sang "Happy Birthday," and I announced that I had to go fight crime. Striding back to the Batmobile, I opened the car door, turned dramatically toward the youngsters and said, quote, "BWEPPBWEPPBWEPPBWEPP." Actually, it was the Batmobile that said this, because I had forgotten to deactivate the Bat Alarm. I climbed into the front seat, slammed the door with several inches of cape sticking out the bottom, and backed manfully and blindly into the street. Fortunately there was nothing in my way, because I would definitely have hit it, and the law would not have been on my side. ("Mr. Barry, please tell the jury exactly what you were wearing as you backed your car over the plaintiff.")

The next day, Alexander's mom reported that the first thing he did when he woke up was turn on his walkie-talkie and call Batman. He said he could hear Batman, but Batman couldn't hear him because he was busy fighting evil supercriminals named Poison Ivy and Mr. Freeze. This was almost true: Batman was actually battling Heat Rash. So he will be out of action for a while. The next superhero from this household to visit Alexander—and I have made this very clear to Michelle—will definitely be Cat Woman.

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## Seduction and Bliss in Normandy's Eden

By R.W. Apple Jr.  
New York Times Service

SAINT-CYR-DU-RONCERAY, France—Normandy is so close to Paris that wise guys sometimes call it the 21st arrondissement. Which no doubt explains why, in the old days, Calvados, or apple brandy, was the capital's favorite tipple. To a degree, it still is—not so much in the grand hotels and the restaurants showered with stars, but in the bars, bistros and brasseries frequented by ordinary folk.

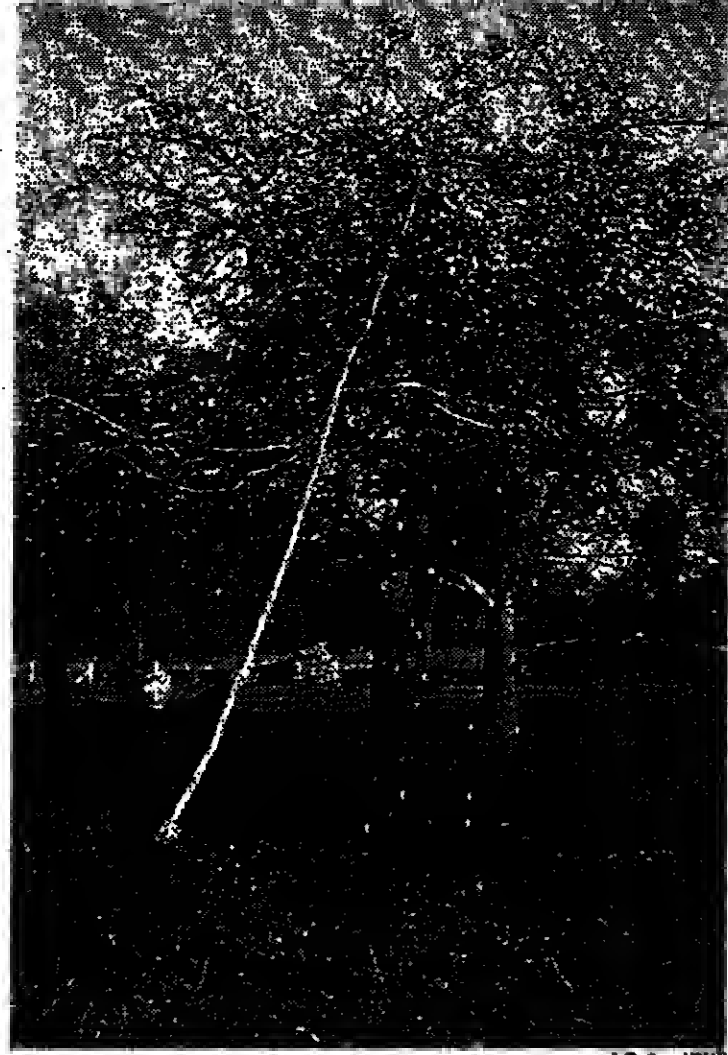
Calvados resembles the apple-jack beloved by old-time Yankees, but at its best, after careful aging in wood, it has far greater finesse. The art lies in taming the fire of the newly distilled spirit without losing the distinctive taste of the fruit. Some inferior Calvados is aggressive; some is smooth enough but might have been made of potatoes or grapes instead of apples.

Calvados has never achieved the renown or aristocratic aura of Cognac. But no less eminent a figure than Marcel Proust, who spent many seaside holidays at Cabourg on the Norman coast, vouched for it in "Remembrance of Things Past."

And the American journalist A.J. Liebling, a more dedicated eater and drinker than Proust, had this to say, in "Normandy Revisited," about Calvados and its ways:

"I have never wavered in my belief that old Calvados has a more agreeable bouquet, a warmer touch to the heart and a more outgoing personality than Cognac. It is less precocious, but that is only a confirmation of its more profound character. The barrel of Calvados laid down at an infant's birth matures with him; he is unlikely to need it until he is at least 11, and by that time it will be possible. If the boy is to drink Calvados at its best, however, it is better to lay down several barrels, so he will still have some when he is 50."

For centuries, Calvados was a farmhouse product, handmade by peasants, but in this field as in so many others, the big boys are taking



Gathering apples in an orchard in the Pays d'Auge of Normandy.

over. Mass-produced brands like Bussnel, Boudard and Pere Magloire account for the bulk of the 11 million bottles sold annually. Most of this Calvados is young and unsuitable. These are sluggers, not boxers.

But small-fries persist. One of the best is Marc de Lesdain, a convivial, red-faced farmer who has been distilling since 1959 in the hamlet of Sainte-Foy-de-Montgommery.

To find de Lesdain, you have to cross the railroad tracks and the Vie River and look out for a charming half-timbered house and barn on your left. That's where he produces, for a mainly regional clientele, in his own still and with the apples from his 10 acres of trees, a smoky, fruity, perfectly balanced 15-year-old Calvados that is 45 percent alcohol, a few degrees stronger than most.

"You must learn to taste before you distill," he said this summer, sitting at a long table and offering tempting topaz-hued tastes from a cluster of bottles. "You have to know how to tell when the fruit is too ripe, when the blend is wrong, how to correct the faults. Every batch through the still has a personality. Now, industrialists run everything with their technicians and their laboratories. In the alcohol factories, nothing is ever really bad, nothing is ever really good."

Calvados demands a certain deference on the part of the consumer. In an otherwise forgotten BBC situation comedy, the hard-drinking hero warned his mate: "It shouldn't be gulped down by the mugful. If you do that you will lose the flavor and the bouquet. You will also lose your power of speech."

Well, not quite, maybe. In the spring, Calvados, one of the five departments of Normandy, presents one of the loveliest pictures in France—more than 9 million apple trees, blossoming pink-white around the picturesque old farmhouses, with black-and-white and brown-and-white cows grazing underneath the trees or nearby.

Calvados is distilled from cider, the pressed juice of particular varieties of apples. Cider apples, often of small diameter, blotchy and unattractive, are too sour to be eaten with pleasure. They are grouped in four families: sweet, bitter, bittersweet and acid. To make a successful Calvados, juices from several of these are blended before distilling.

The heartland of the region is the Pays d'Auge, which lies on either side of the little Touques River valley, running south from Deauville through Pont-l'Evêque and Lisieux. In this area, narrowly delimited by law, Calvados must be made in a traditional pot still. It is always labeled "Calvados Pays d'Auge." Elsewhere in the region, more efficient columnar stills can be used. Their output, which is usually coarser and less sophisticated, is labeled simply "Calvados."

Why coarser? Partly because the pot still offers greater control, and partly because the pot still's producer takes better to aging in oak casks. "To be really good," Waverley Root wrote in "The Food of France," "Calvados requires aging even more than does Cognac."

Saint-Cyr is the headquarters of the uncrowned king of artisanal Calvados, the firm of Roger Groult, one of the few old-style distillers, along with Adrien Camur of La Lande Saint-Leger, who produce enough to ship their wares around the world.

A dapper, precise fourth-generation distiller, Jean-Pierre Groult uses apples from his own orchards, which cover 65 acres, plus others, about a third of the total, bought from other orchards within six miles of here. They are shaken from the trees each October by a cable linked to a tractor, sorted according to quality and variety and then crushed in a large hydraulic press. The pulp is used to feed livestock, and the liquid is pumped into stainless-steel tanks, where it ferments into cider.

Groult sells only blends of various vintages, although other distillers sell single-vintage Calvados. He thinks that they are one-dimensional, that only by blending the produce of a number of years can maximum richness and complexity be achieved.

On my most recent trip around Normandy, I tasted again some of the many other ways Calvados is used here. The gold star went to a towering Calvados soufflé at La Bourdieu, the Michelin two-star restaurant in Caen. When the waiter served it, he lifted its top, decorated with an apple slice, and poured in a little more Calvados, to make sure the flavor wasn't too wan.

I barely finished the soufflé, but the patron's wife, with typical Norman solicitude, insisted on pouring me one final glass: a 13-year-old beauty from a farmer she knew named Hubert. Its heady scent leaped from the glass to meet my nose, and it was every bit as full-bodied as any Wagnerian soprano.

## PEOPLE

AN 11-year-old boy in Florida says that he returned a briefcase full of jewels to its rightful owner because his mother told him to and that he was glad he had done the right thing. Still, William Hand found the episode a little depressing. "I was jumping up and down, singing 'We're in the money, we're in the money,'" William said. "Now I see stuff on TV I want, and I just go 'Oh, man.'" William, who found the briefcase two weeks ago in a Jacksonville restaurant parking lot, learned he will get a reward from the Texas woman who lost it—a \$500 savings bond each Christmas until he is 18.

Peter Lewis, president and chief executive officer of Progressive Corp., an auto insurance company, has been named chairman of the board of the Solomon R. Guggenheim Foundation, which administers five Guggenheim museum sites worldwide. In April, Lewis gave the Guggenheim a cash pledge of \$50 million.

An American Airlines jetliner made an unscheduled landing to remove a man who was apparently drunk and bothering the band Hootie and the Blowfish for autographs and a record deal. Flight 133 with about 100 people aboard was en route to Los Angeles from New York when the pilot decided to land in Denver. The man, Amit Singh, 39, reportedly walked into the first-class section and began asking for autographs. Band members say he sat on the floor and showed them a book of

poetry and then asked how he could cut a record deal. He allegedly attacked the band's bodyguard and several flight attendants before he was restrained with seat belts, the police said. No one was hurt.

Paul McCartney is to take to the concert stage next year to keep alive his wife Linda's crusade for animal rights. McCartney and Chrissie Hynde of the Pretenders are organizing the concerts. No dates or sites have been selected for what would be McCartney's first return to the stage since his wife died of cancer in April. The former Beatle said he is talking with Elvis Costello, the B-52s, the artist formerly known as Prince, but now identified by a squiggle, Blur, Lenny Kravitz and Natalie Imbruglia about participating.

Roddy McDowall, one of Hollywood's most durable actors, has terminal cancer, the Daily Variety gossip columnist Army Archerd has reported. Archerd said he had called the veteran London-born actor to wish him a happy 70th birthday for Thursday "only to be told he was unable to come to the phone; he was resting and, I was further informed, he is terminally ill with cancer." McDowall's cancer was not specified, although it appeared to develop quickly, Archerd said. Just last month, McDowall took part in celebrations marking the 30th anniversary of "Planet of the Apes," in which he played the civilized simian Cornelius.



LONDON COUNTRY—Dolly Parton at the Hard Rock Café in London, promoting her new album.



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SPORTS

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## Key Senator Tells Clinton To Explain In Congress

Kerry Says Testimony Before Judiciary Panel Could Speed a Decision

By R.W. Apple Jr.

WASHINGTON—Sen. John Kerry (D-Mass.) today called on President Clinton to appear before a Senate Judiciary Committee panel to explain his decision to fire the top prosecutor in the Clinton administration.

Clinton's decision to fire the top prosecutor in the Clinton administration, the Justice Department's top prosecutor, has been a major focus of the Clinton administration's efforts to win re-election.

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